

**Supplemental Reporting Document  
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February 2011 Investment Committee Meeting  
(December 2010 Reporting Period)**

**Quarterly Reports**

Real Estate

Inflation Linked Asset Class



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February 14, 2011

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Real Estate Quarterly Performance Report  
as of September 30, 2010
- II. PROGRAM:** Real Estate
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Real Estate Quarterly Performance Report for the quarter ending September 30, 2010 has been prepared by staff from the Performance Monitoring Unit with assistance from CalPERS' Real Estate Unit and Pension Consulting Alliance (PCA). The one-year total returns (as of September 30, 2010) for the Real Estate Portfolio were -4.5% before fees & -5.8% after fees. The since inception return of the Real Estate Portfolio was 6.6% after fees, with the income component generating 5.7% and the appreciation component generating 0.9%.

**V. STRATEGIC PLAN:**

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

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ALEJO GUTIERREZ  
Investment Officer  
Performance Monitoring Unit

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ALOK JAIN  
Investment Officer  
Performance Monitoring Unit

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CHRISTOPHER LUM  
Investment Officer  
Performance Monitoring Unit

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PHIL HENDERSON  
Investment Officer  
Performance Monitoring Unit

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MATTHEW FLYNN  
Division Chief  
Operations, Performance & Technology

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JANINE GUILLOT  
Chief Operating Investment Officer

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JOSEPH A. DEAR  
Chief Investment Officer



# Real Estate Portfolio

## *Quarterly Performance Report*

QUARTER ENDING SEPTEMBER 30, 2010



# **Real Estate Portfolio Quarterly Performance Report**

Quarter Ending September 30, 2010

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Quarter Ending September 30, 2010

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Executive Summary



## **Performance Monitoring Unit Review Disclosure**

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CalPERS Performance Monitoring Unit compiles this Quarterly Performance Report (QPR) using financial information provided by real estate investment partners.

CalPERS requires its investment partners to prepare and submit financial statements quarterly and to provide audited financial statements annually. CalPERS relies on the auditor's opinion regarding the financial statements. The QPR is updated to reflect the most current financial information provided by the real estate investment partner.

The financial information for real estate program performance lags one-quarter due to industry reporting cycles. Each real estate investment partner supplies its quarterly financial statements to CalPERS Performance Monitoring Unit (PMU), for the prior quarter. The PMU reviews the financial statements and performs analytical procedures to ensure the financial reports, prepared by the partners, are consistent with prior periods and comparable with other similarly situated CalPERS real estate investment partners. The financial data in the QPR is reviewed consistent with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Pension Consulting Alliance, Inc. (PCA) (the Board's Consultant for Real Estate), provides oversight services to PMU for the performance reporting process, and assists PMU in verifying that the investment partners' financial statement information is properly utilized to calculate the time-weighted returns and internal rates of return presented in the QPR. PCA reviews and provides comments on the QPR in final form prior to its submission to the Investment Committee. In addition, PCA reviews the real estate performance returns and asset values that are provided to State Street Bank (CalPERS master custodian) for reporting the Total Fund's performance.

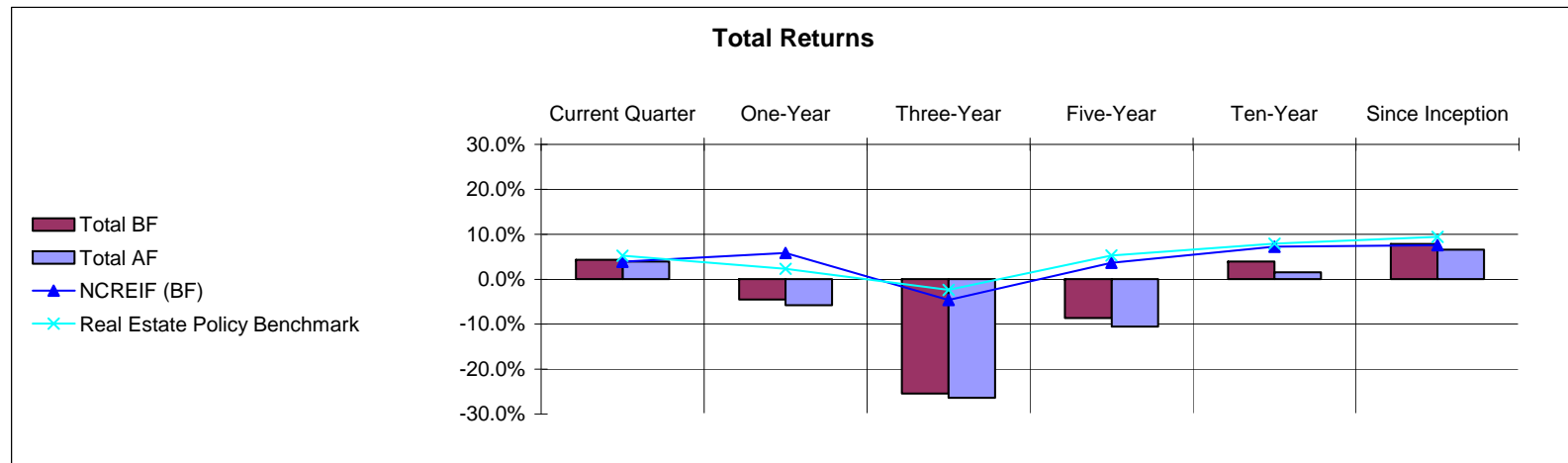
**Performance Monitoring Unit Review Disclosure**

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As required by the Board's Policy for the Appraisal of CalPERS Real Estate Interests, ownership interests held in separate accounts or identified to be appraised are appraised annually. Independent real estate appraisal firms provide an unbiased and neutral opinion of asset value. All appraisals are completed in compliance with NCREIF's Real Estate Investment Standards and the Appraisal Institute's Uniform Standards of Professional Appraisal Practice.

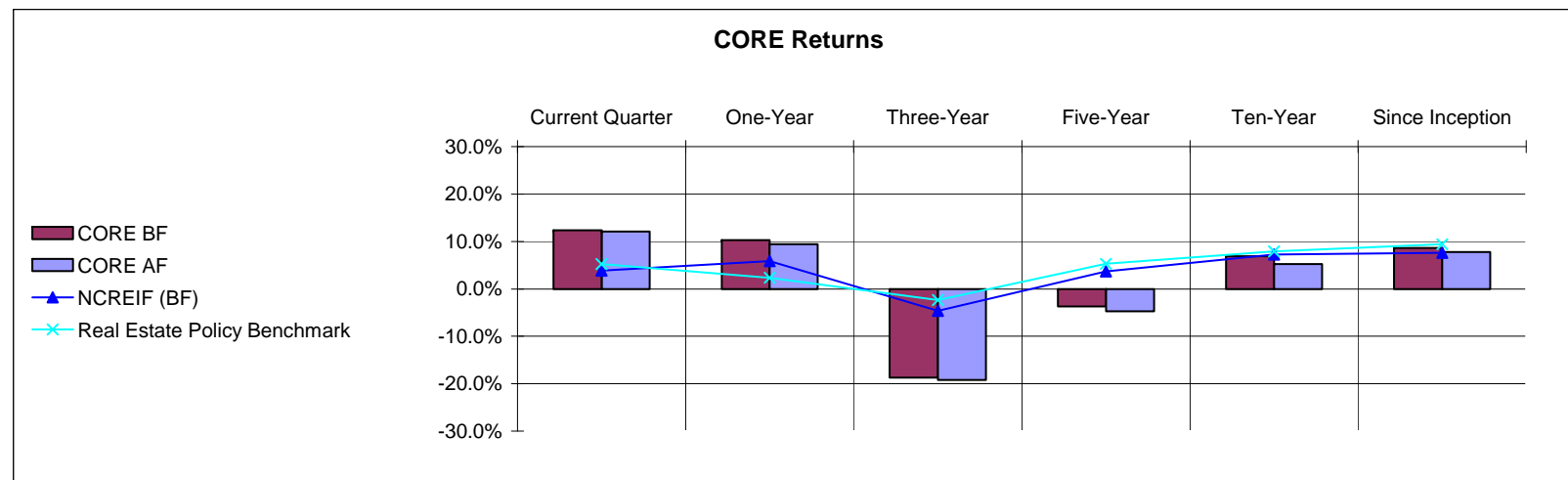
**Total Real Estate Portfolio** (as of September 30, 2010)

<b>Net Assets at Fair Market Value</b>		<b>\$16,501,273,943</b>					
		<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year</b>	<b>Five-Year</b>	<b>Ten-Year</b>	<b>Since Inception</b>
<b>Total</b>	<b>Nominal Returns, Before Fees</b>						
	Income	1.1%	2.9%	-2.1%	0.2%	4.0%	6.6%
	Appreciation	3.2%	-7.4%	-23.3%	-8.8%	-0.1%	1.3%
	<b>Total</b>	<b>4.3%</b>	<b>-4.5%</b>	<b>-25.4%</b>	<b>-8.6%</b>	<b>3.9%</b>	<b>7.8%</b>
	<b>Nominal Returns, After Fees</b>						
<b>Benchmarks</b>	Income	0.7%	1.6%	-3.4%	-1.3%	2.6%	5.7%
	Appreciation	3.2%	-7.4%	-23.0%	-9.3%	-1.0%	0.9%
	<b>Total</b>	<b>3.9%</b>	<b>-5.8%</b>	<b>-26.4%</b>	<b>-10.5%</b>	<b>1.6%</b>	<b>6.6%</b>
	<b>NCREIF Benchmark (Before Fee)</b>	<b>3.9%</b>	<b>5.8%</b>	<b>-4.6%</b>	<b>3.7%</b>	<b>7.3%</b>	<b>7.6%</b>
	NCREIF Benchmark Income Return	1.6%	6.8%	5.9%	6.0%	7.0%	7.6%
<b>Benchmarks</b>	NCREIF Benchmark Appreciation Return	2.2%	-0.9%	-10.1%	-2.2%	0.3%	0.0%
	NAREIT Benchmark	18.4%	18.4%	-9.7%	2.6%	9.7%	N/A
	<b>Real Estate Policy Benchmark</b>	<b>5.3%</b>	<b>2.3%</b>	<b>-2.4%</b>	<b>5.3%</b>	<b>7.9%</b>	<b>9.4%</b>
	Difference Between Actual Real Estate and Real Estate Policy Returns (Before Fee)	-0.9%	-6.8%	-23.1%	-13.9%	-4.0%	-1.6%



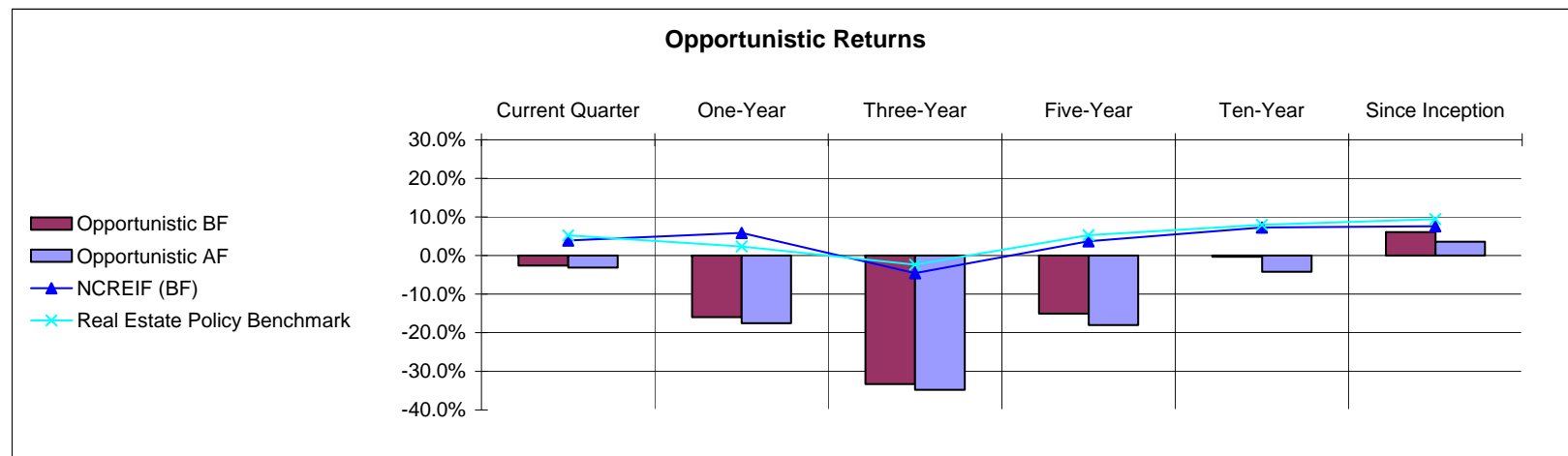
**Core Real Estate Portfolio** (as of September 30, 2010)

<b>Net Assets at Fair Market Value</b>		<b>\$8,062,972,219</b>					
		<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year</b>	<b>Five-Year</b>	<b>Ten-Year</b>	<b>Since Inception</b>
<b>Core</b>	<b>Nominal Returns, Before Fees</b>						
	Income	1.3%	5.3%	3.5%	3.3%	5.2%	7.2%
	Appreciation	11.0%	5.0%	-22.2%	-7.0%	1.7%	1.4%
	<b>Total</b>	<b>12.3%</b>	<b>10.3%</b>	<b>-18.7%</b>	<b>-3.7%</b>	<b>6.9%</b>	<b>8.7%</b>
<b>Core</b>	<b>Nominal Returns, After Fees</b>						
	Income	1.1%	4.5%	2.8%	2.7%	4.6%	6.7%
	Appreciation	11.0%	4.9%	-22.1%	-7.5%	0.6%	1.0%
	<b>Total</b>	<b>12.1%</b>	<b>9.4%</b>	<b>-19.2%</b>	<b>-4.7%</b>	<b>5.3%</b>	<b>7.8%</b>
<b>Benchmarks</b>	<b>NCREIF Benchmark (Before Fee)</b>	<b>3.9%</b>	<b>5.8%</b>	<b>-4.6%</b>	<b>3.7%</b>	<b>7.3%</b>	<b>7.6%</b>
	NCREIF Benchmark Income Return	1.6%	6.8%	5.9%	6.0%	7.0%	7.6%
	NCREIF Benchmark Appreciation Return	2.2%	-0.9%	-10.1%	-2.2%	0.3%	0.0%
	<b>Real Estate Policy Benchmark</b>	<b>5.3%</b>	<b>2.3%</b>	<b>-2.4%</b>	<b>5.3%</b>	<b>7.9%</b>	<b>9.4%</b>
	Difference Between Actual Real Estate and Real Estate Policy Returns (Before Fee)	7.1%	8.0%	-16.4%	-9.0%	-1.0%	-0.7%



**Opportunistic Real Estate Portfolio** (as of September 30, 2010)

<b>Net Assets at Fair Market Value</b>		<b>\$8,438,301,724</b>					
		<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year</b>	<b>Five-Year</b>	<b>Ten-Year</b>	<b>Since Inception</b>
<b>Opportunistic</b>	<b>Nominal Returns, Before Fees</b>						
	Income	0.9%	0.9%	-9.4%	-4.1%	3.0%	4.0%
	Appreciation	-3.4%	-16.9%	-23.9%	-11.0%	-3.4%	2.0%
	<b>Total</b>	<b>-2.6%</b>	<b>-16.0%</b>	<b>-33.3%</b>	<b>-15.0%</b>	<b>-0.3%</b>	<b>6.0%</b>
	<b>Nominal Returns, After Fees</b>						
<b>Benchmarks</b>	Income	0.4%	-0.8%	-11.4%	-6.8%	-0.4%	2.1%
	Appreciation	-3.5%	-16.8%	-23.4%	-11.2%	-3.9%	1.5%
	<b>Total</b>	<b>-3.1%</b>	<b>-17.5%</b>	<b>-34.8%</b>	<b>-18.0%</b>	<b>-4.2%</b>	<b>3.6%</b>
	<b>NCREIF Benchmark (Before Fee)</b>	<b>3.9%</b>	<b>5.8%</b>	<b>-4.6%</b>	<b>3.7%</b>	<b>7.3%</b>	<b>7.6%</b>
	<b>Real Estate Policy Benchmark</b>	<b>5.3%</b>	<b>2.3%</b>	<b>-2.4%</b>	<b>5.3%</b>	<b>7.9%</b>	<b>9.4%</b>
Difference Between Actual Real Estate and Real Estate Policy Returns (Before Fee)		-7.8%	-18.3%	-31.0%	-20.4%	-8.3%	-3.4%



**Real Estate Portfolio Performance Summary (REU)**

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**Total Portfolio Performance** — The one-year (as of September 30, 2010) total return for the Total Real Estate Portfolio was -4.5% before fees and -5.8% after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 6.6% as of September 30, 2010, with the income component generating a 5.7% return and the appreciation component generating a 0.9% return.

**Core Portfolio Performance** — The one-year (as of September 30, 2010) total return for the Core Portfolio was 10.3% before fees and 9.4% after fees. The nominal after fee total return (since inception) for the Core Portfolio was 7.8% as of as of September 30, 2010, with the income component generating a 6.7% return and the appreciation component generating a 1.0% return.

**Opportunistic Portfolio Performance** — The one-year (as of September 30, 2010) total return for the Opportunistic Portfolio was -16.0% before fees and -17.5% after fees. The nominal after fee total return (since inception) for the Opportunistic Portfolio was 3.6% as of September 30, 2010, with the income component generating a 2.1% return and the appreciation component generating a 1.5% return.

**Real Estate Continuity Schedule**

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Investment Strategy	(+) BNAV	(+) Contribution	(-) Distribution	(+) Income	(+) Unrealized Appreciation	(+) Realized Appreciation	(-) Fees	Other Credits (-)	(=) ENAV
Core	\$7,115,170,674	\$225,827,201	\$175,202,898	\$92,592,814	\$612,732,663	\$172,356,918	\$15,155,371	(\$34,650,219)	\$8,062,972,219
Opportunistic	\$8,048,995,317	\$743,004,643	\$161,480,138	\$71,624,895	(\$243,127,929)	(\$42,867,857)	\$41,897,134	(\$64,049,926)	\$8,438,301,724
<b>Total Portfolio</b>	<b>\$15,164,165,991</b>	<b>\$968,831,844</b>	<b>\$336,683,035</b>	<b>\$164,217,709</b>	<b>\$369,604,734</b>	<b>\$129,489,061</b>	<b>\$57,052,505</b>	<b>(\$98,700,145)</b>	<b>\$16,501,273,943</b>

**Real Estate Portfolio Performance Summary (REU)**

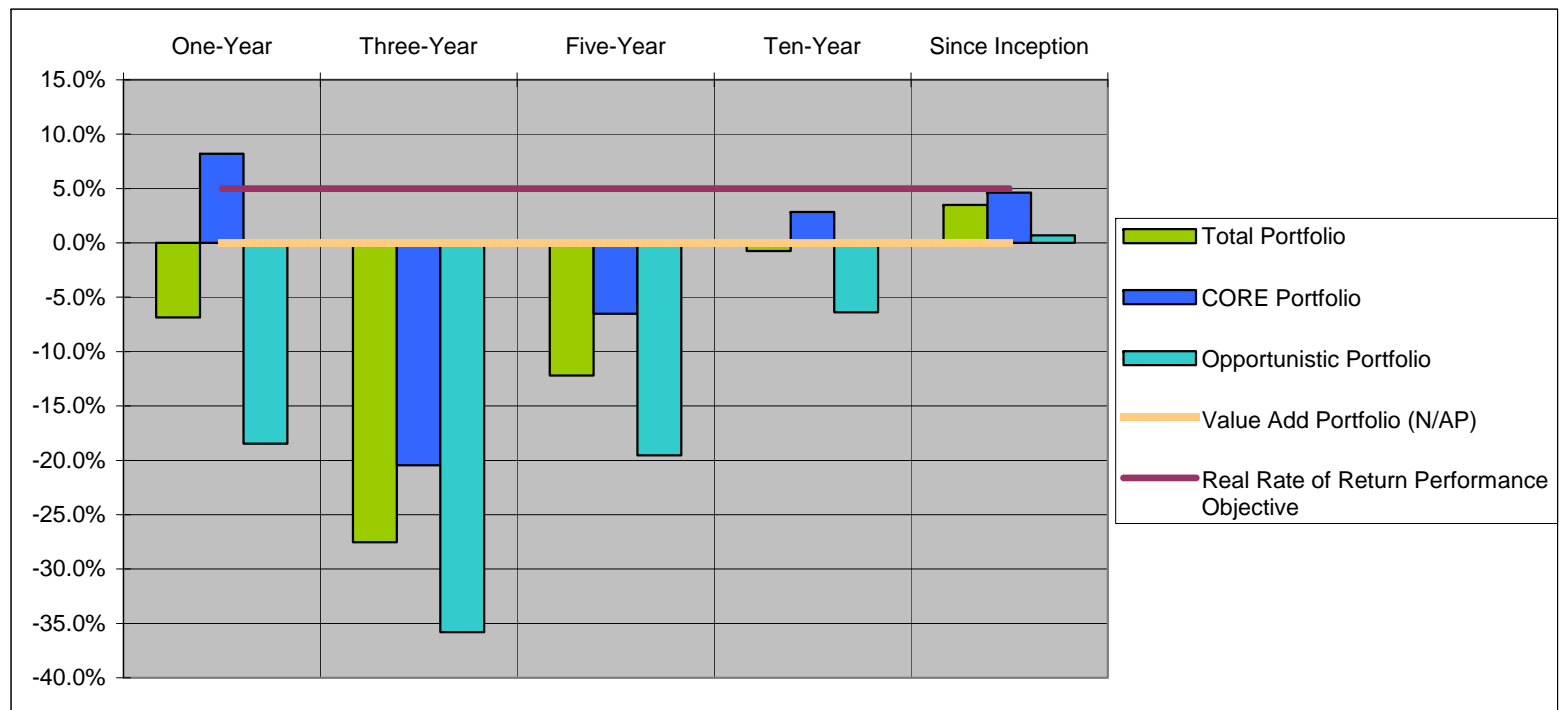
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**Comparison to Benchmark** — The Core Portfolio outperformed the current quarter and one-year Real Estate Policy Benchmark. It should be noted that although the Real Estate Policy Benchmark is more directly comparable to the Core Portfolio, the policy benchmark is used for the Opportunistic Portfolio as well.

**Comparison to Real Rate of Return Benchmark** — The Core Portfolio exceeded the 5% real rate of return benchmark for the one-year period. Policy dictates that CalPERS after fee real rate of return should reach 5% for the Core Portfolio and exceed 5% for the Opportunistic Portfolio. All real rates of returns are shown on the chart Real Estate Policy Performance Objective Real Rate of Return (RRR) After Fee (Refer to Appendix for CPI index and Real Rate of Return calculation.)

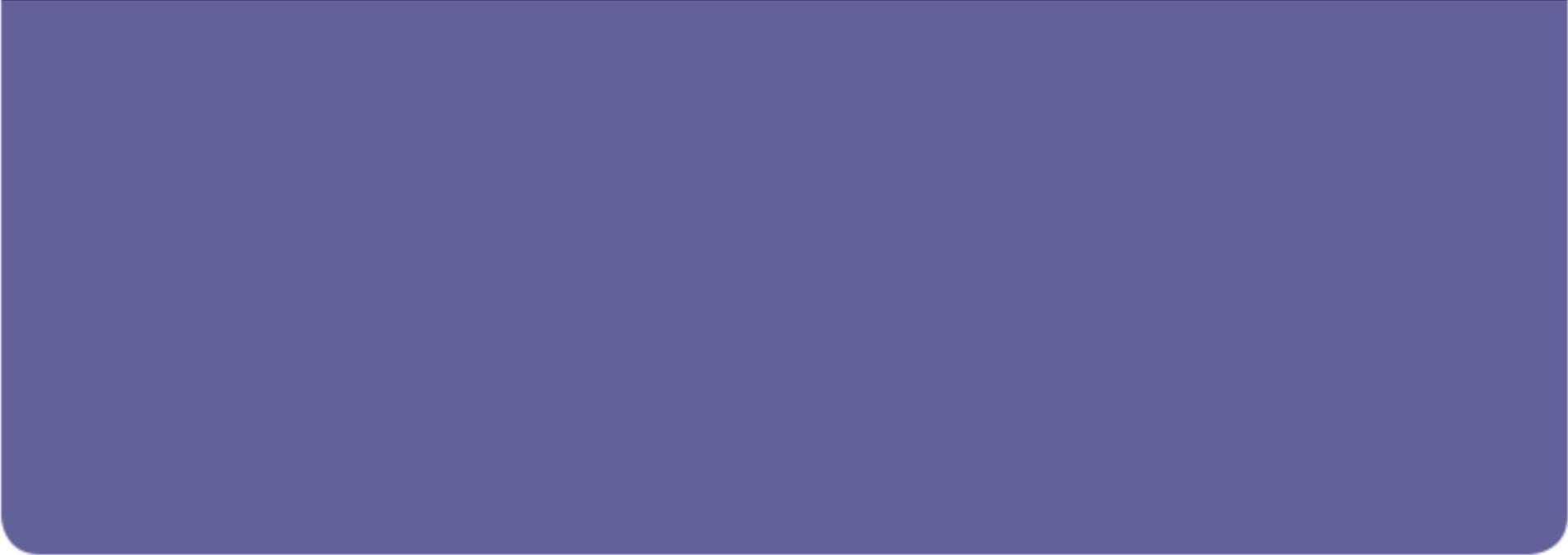
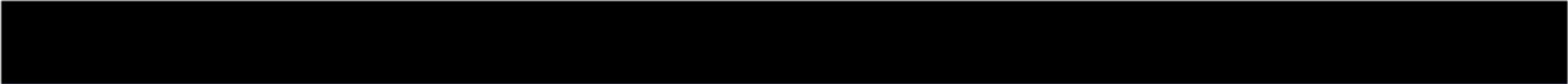
**Real Estate Policy Performance Objective Real Rate of Return (RRR) After Fees** *(as of September 30, 2010)*

	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
CalPERS' Total	-6.8%	-27.5%	-12.2%	-0.7%	3.5%
CalPERS' Core	8.2%	-20.5%	-6.5%	2.9%	4.6%
CalPERS' Value Add	N/AP	N/AP	N/AP	N/AP	N/AP
CalPERS' Opportunistic	-18.5%	-35.8%	-19.5%	-6.4%	0.7%
Real Rate of Return Performance Objective	5.0%	5.0%	5.0%	5.0%	5.0%





*Section II*  
**Significant Events/  
Material Exceptions to Policy**



**Significant Events (As Reported by The Real Estate Unit)**

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**Significant Events**

Third Quarter Total Portfolio Results:

As of September 30, 2010, the real estate portfolio produced after-fee returns of 3.9% over the trailing quarter and -5.8% over the trailing one-year. The CalPERS Total Real Estate Portfolio's Net Asset Value (NAV) as of September 30, 2010, is \$16.5 billion. This represents a \$1.3 billion, or 8.8%, increase from the previous quarter and a \$2.8 billion, or 20.3%, increase from the previous year. The increase in NAV during the quarter was attributed to net contributions and appreciation. The increase in NAV during the year was attributed to net contributions to investments, which to some extent were offset by value declines.

The total real estate portfolio underperformed the policy benchmark for all periods as of September 30, 2010. High levels of leverage, greater proportion of non-stabilized and non-income producing assets, and high vintage year concentration is the primary attribution for underperformance relative to the policy benchmark.

**Significant Events (As Reported by The Real Estate Unit)**

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**Core**

- The CalPERS Core Real Estate portfolio, which includes both stabilized and non-stabilized assets, outperformed the CalPERS private market component of the real estate policy benchmark for the quarter and one year period on a before fee basis. The outperformance was primarily attributed to unrealized appreciation in the apartment and office sectors.
- The CalPERS REIT portfolio met the CalPERS public market component of the real estate policy benchmark, FTSE EPRA NAREIT Global Developed, for the quarter ending September 30, 2010. However, the CalPERS REIT portfolio underperformed its benchmark for the one year period ending September 30, 2010, primarily due to the portfolio's overweighting in Asia.

**Significant Events (As Reported by The Real Estate Unit)**

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**Opportunistic**

- The Urban Portfolio underperformed the CalPERS private market component of the real estate policy benchmark, for the quarter ending September 30, 2010, and on a one year basis primarily due to being comprised of predominately non-stabilized and non-income producing assets with high levels of leverage.
- The Housing Program underperformed the CalPERS private market component of the real estate policy benchmark, for the quarter ending September 30, 2010, and on a one year basis primarily due to challenges in the housing market.
- The Opportunistic - Tactical Portfolio underperformed the CalPERS private market component of the real estate policy benchmark, for the quarter ending September 30, 2010, and on a one year basis. The underperformance was driven by non-stabilized and non-income producing assets with high levels of leverage.

**Material Exceptions to Policy (As Reported by The Real Estate Unit)**

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**Material Exceptions to Policy**

The Investment Committee approved the Real Estate Policy effective June 15, 2009. The policy includes limits that have been reduced in a number of key areas. As a result of the reduced limits and market conditions that have resulted in market value declines, the portfolio is out-of-compliance with the policy in the areas listed below. The Real Estate Unit estimates the portfolio to be in full compliance with policy no later than December 2013.

- CalPERS' Opportunistic asset exposure was approximately 40.3 percent as of September 30, 2010, or 0.3 percent above the policy range of 10-40 percent. The exposure percentage decreased over the last quarter from 42.2 to 40.3 percent; over the last calendar year from 41.3 to 40.3 percent.
- CalPERS' Other property type exposure was approximately 15.5 percent as of September 30, 2010, or 5.5 percent above the policy limit of 10 percent. The variance is attributed to Other property type exposure being comprised largely of Urban Mixed-Use properties at 7.3 percent of the total portfolio. Staff is evaluating options for classification of mixed-use properties. The exposure percentage decreased over the last quarter from 16.3 to 15.5 percent; over the last calendar year it has increased from 15.2 to 15.5 percent.

**Material Exceptions to Policy (As Reported by The Real Estate Unit)**

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**Material Exceptions to Policy (cont.)**

- CalPERS' Loan-to-Value ("LTV") calculation of the Core Portfolio was approximately 45.8 percent as of September 30, 2010, or 0.8 percent above the policy limit of 45 percent. The exposure percentage decreased over the last quarter from 48.8 to 45.8 percent; over the last calendar year from 55.6 to 45.8 percent.
- CalPERS' Recourse Debt Allocated was approximately 14.2 percent as of September 30, 2010, or 4.2 percent above the policy limit of 10 percent. The exposure percentage decreased over the last quarter from 17.6 to 14.2 percent; over the last calendar year from 39.0 to 14.2 percent. In absolute dollar amounts the recourse debt allocated was approximately \$2.34 billion as of September 30, 2010, or \$0.69 billion above the policy limit of \$1.65 billion. The allocated amount decreased over the last quarter from \$2.67 billion to \$2.34 billion; over the last calendar year from \$5.35 billion to \$2.34 billion. Recourse Debt Allocated is defined in policy as the total amount of debt allocated which may or may not be drawn or utilized to date. The amount of recourse debt drawn or utilized as of September 30, 2010 was approximately 9.2 percent or \$1.52 billion.

## Performance Detail by Sector

## Performance Detail by Sector

**Total Real Estate Portfolio Performance Detail by Subportfolio and Sector** *For the Period Ending September 30, 2010*

Performance Detail by Subportfolio and Sector (Before Fees)										
		Net Assets at Fair Market Value		Total Nominal Returns Before Fees						
		Inception Date	Amount	% of Portfolio	Qtr	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception
CORE										
	Apartment	Mar-86	\$ 1,516,324,693	9.2%	46.6 %	29.0 %	-21.1 %	-4.3 %	6.5 %	7.8 %
	Industrial	Apr-82	2,218,889,502	13.4%	2.0 %	-4.3 %	-23.6 %	-8.1 %	4.3 %	8.5 %
	Office	Apr-82	1,155,073,733	7.0%	13.7%	24.6%	-18.7%	-1.5%	6.4%	8.1%
	Retail	Apr-82	2,015,213,330	12.2%	2.3%	7.6%	-3.4%	6.1%	13.8%	10.8%
	Core REIT Composite	Jul-02	1,157,470,961	7.0%	18.4%	16.7%	-11.0%	1.6%	N/AP	8.8%
	Total Core	Apr-82	\$8,062,972,219	48.9%	12.3%	10.3%	-18.7%	-3.7%	6.9%	8.7%
Value Add										
	Value Add		\$0	0.0%	N/AP	N/AP	N/AP	N/AP	N/AP	N/AP
	Total Value Add		\$0	0.0%						
Opportunistic										
	Emerging Markets		\$0	0.0%	N/AP	N/AP	N/AP	N/AP	N/AP	N/AP
	Housing	Jun-92	1,629,924,528	9.9%	-16.0 %	-27.5 %	-122.9 %	-142.0 %	-172.9 %	-191.4 %
	Opportunistic - Tactical	Oct-87	5,057,429,351	30.6%	2.4 %	0.7 %	-12.2 %	3.6 %	7.2 %	8.8 %
	Urban	Feb-97	1,750,947,845	10.6%	-1.5%	-39.9%	-35.9%	-15.6%	3.0%	4.7%
	Total Opportunistic	Dec-84	\$8,438,301,724	51.1%	-2.6%	-16.0%	-33.3%	-15.0%	-0.3%	6.0%
	Total Portfolio		\$16,501,273,943	100.0%	4.3%	-4.5%	-25.4%	-8.6%	3.9%	7.8%
Real Estate Policy Benchmark					5.3%	2.3%	-2.4%	5.3%	7.9%	9.4%

**Total Real Estate Portfolio Performance Detail by Subportfolio and Sector** *For the Period Ending September 30, 2010*

Performance Detail by Subportfolio and Sector (After Fees)										
	Net Assets at Fair Market Value				Total Nominal Returns After Fees					
	Inception Date	Amount	% of Portfolio		Qtr	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception
<b>CORE</b>	Apartment	Mar-86	\$ 1,516,324,693	9.2%	46.3 %	27.9 %	-21.6 %	-5.7 %	4.2 %	6.6 %
	Industrial	Apr-82	2,218,889,502	13.4%	1.8 %	-5.2 %	-24.0 %	-9.3 %	2.6 %	7.6 %
	Office	Apr-82	1,155,073,733	7.0%	13.2%	22.9%	-19.6%	-3.1%	3.9%	6.9%
	Retail	Apr-82	2,015,213,330	12.2%	2.2%	6.7%	-4.1%	5.4%	12.4%	10.0%
	Core REIT Composite	Jul-02	1,157,470,961	7.0%	18.4%	16.6%	-11.1%	1.4%	N/AP	8.7%
	<b>Total Core</b>	Apr-82	<b>\$8,062,972,219</b>	<b>48.9%</b>	<b>12.1%</b>	<b>9.4%</b>	<b>-19.2%</b>	<b>-4.7%</b>	<b>5.3%</b>	<b>7.8%</b>
<b>Value Add</b>										
	Value Add		\$0	0.0%	N/AP	N/AP	N/AP	N/AP	N/AP	N/AP
	<b>Total Value Add</b>		<b>\$0</b>	<b>0.0%</b>						
<b>Opportunistic</b>	Emerging Markets		\$0	0.0%	N/AP	N/AP	N/AP	N/AP	N/AP	N/AP
	Housing	Jun-92	1,629,924,528	9.9%	-16.2 %	-28.2 %	-121.8 %	-139.7 %	-168.5 %	-186.0 %
	Opportunistic - Tactical	Oct-87	5,057,429,351	30.6%	1.8 %	-1.1 %	-13.5 %	0.4 %	4.0 %	7.0 %
	Urban	Feb-97	1,750,947,845	10.6%	-2.2%	-41.8%	-37.7%	-18.2%	-0.8%	1.7%
	<b>Total Opportunistic</b>	Dec-84	<b>\$8,438,301,724</b>	<b>51.1%</b>	<b>-3.1%</b>	<b>-17.5%</b>	<b>-34.8%</b>	<b>-18.0%</b>	<b>-4.2%</b>	<b>3.6%</b>
	<b>Total Portfolio</b>		<b>\$16,501,273,943</b>	<b>100.0%</b>	<b>3.9%</b>	<b>-5.8%</b>	<b>-26.4%</b>	<b>-10.5%</b>	<b>1.6%</b>	<b>6.6%</b>
<b>Real Estate Policy Benchmark</b>					<b>5.3%</b>	<b>2.3%</b>	<b>-2.4%</b>	<b>5.3%</b>	<b>7.9%</b>	<b>9.4%</b>

## Recourse Debt (As Reported by The Real Estate Unit)

### Recourse Debt

	Credit Accommodation			Subscription Debt			Recourse Debt	
	Funded	Unfunded	Total Allocated	Funded	Unfunded	Total Allocated	Total	Allocated
<b>Core</b>	Apartment/ Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Industrial/Logistics	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Core</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Value Add</b>								
	Value Add	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Value Add</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Opportunistic</b>								
	Housing	\$ -	\$ -	\$ -	\$ 249,594,818	\$ 111,503,006	\$ 361,097,824	\$ 361,097,824
	Opportunistic - Tactical	\$ 642,764,746	\$ 67,235,254	\$ 710,000,000	\$ 454,329,355	\$ 324,004,930	\$ 778,334,285	\$ 1,488,334,285
	Urban	\$ -	\$ 59,547,000	\$ 59,547,000	\$ 176,687,343	\$ 252,152,279	\$ 428,839,622	\$ 488,386,622
	<b>Total Opportunistic</b>	\$ 642,764,746	\$ 126,782,254	\$ 769,547,000	\$ 880,611,516	\$ 687,660,215	\$ 1,568,271,731	\$ 2,337,818,731
<b>Total Portfolio</b>		\$ 642,764,746	\$ 126,782,254	\$ 769,547,000	\$ 880,611,516	\$ 687,660,215	\$ 1,568,271,731	\$ 2,337,818,731

The Total Permitted Amount of Recourse Debt in Real Estate is \$1,650,127,394. This figure represents the total amount that may be allocated to the partnerships but does not represent the current funded amount.

The Total Permitted Amount of Recourse Debt is the lesser of a) 10% of the actual Real Estate NAV (\$16,501,273,943) or b) 10.0% of the target Real Estate NAV (\$21,462,420,178) which is 10.0% of the total fund NAV of \$214,624,201,781 as of 9/30/10. This is an exception to policy as the total recourse debt was approximately 14.2%, or 4.2 percentage points above the new policy limit of 10.0%.

These amounts are not reflected in the NAV and are not taken into account when calculating the performance figures.



*Section IV*

**Performance by Partnership/Fund**



**Core Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

	Net Assets at Fair Market Value				Total Nominal Returns Before Fees				
	Inception	Amount	% of Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	
	Date								
Core	Apartment								
	Western Multifamily, LLC	Jan-98	\$ 1,438,999,982	17.8%	49.7%	32.0%	-21.3%	-5.1%	6.5% <sup>1</sup>
	Windsor Realty Fund III, L.P.	Jan-98	77,324,711	1.0%	4.1%	-11.0%	-18.6%	-1.8%	12.1%
	Industrial								
	CalEast Global Logistics, LLC	Apr-98	1,983,935,595	24.6%	2.0%	-5.8%	-25.7%	-12.1%	4.1%
	CalWest Industrial Properties, LLC	Apr-98	234,953,908	2.9%	2.0%	7.3%	-4.4%	11.6%	16.2%
	Office								
	CIM Urban REIT, LLC	Feb-05	397,716,059	4.9%	1.3%	-2.5%	2.4%	4.3%	4.1%
	Fifth Street Properties	Jul-98	46,938,943	0.6%	1.2%	2.5 %	-24.5 %	-3.2 %	9.9%
	National Office Partners, L.P.	Jul-98	711,004,114	8.8%	23.2%	56.8%	-33.3%	-11.8%	4.5% <sup>1</sup>
	REITS								
	FTSE EPRA NAREIT Developed REIT	Jul-09	1,157,403,170	14.4%	18.4%	18.4%	N/AP	N/AP	29.2%
	Retail								
	Global Retail Investors, LLC	Dec-05	429,668,324	5.3%	3.7%	45.9%	-0.5%	0.5%	0.5% <sup>1</sup>
	Institutional Mall Investors, LLC	Oct-03	1,584,838,222	19.7%	2.0%	3.1%	-4.6%	5.3%	13.3%
Total Core		Apr-82	\$ 8,062,783,028 <sup>2</sup>	100.0%	12.3%	10.3%	-18.7%	-3.7%	8.7%

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees				
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception
Opportunistic	Housing								
	Hearthstone Advisors								
	Hearthstone Housing Partners II, LLC	Aug-04	\$ 160,606,392	1.9%	12.3%	14.3%	-30.4%	-27.2%	-21.9% <sup>1</sup>
	Hearthstone Housing Partners III, LLC	Oct-06	20,542,781	0.2%	-28.2%	N/M	N/M	N/M	N/M <sup>3</sup>
	Hearthstone Multi-State Residential Value-Added III	Sep-03	(6,304,069)	-0.1% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>
	Hearthstone Path-of-Growth Fund, LLC	Nov-05	164,140,677	1.9%	9.0%	N/M	N/M	N/M	N/M <sup>3</sup>
	Institutional Housing Partners								
	IHP Investment Fund I, L.P.	Jul-92	174,296,724	2.1%	-1.1%	42.0%	2.0%	20.9%	24.8% <sup>5</sup>
	IHP Investment Fund II, L.P.	Sep-95	22,485,232	0.3%	-5.0%	-34.0%	-59.7%	-37.4%	N/M <sup>6</sup>
	IHP Investment Fund III, L.P.	Oct-99	380,522,835	4.5%	-0.1%	-7.1%	-35.8%	-20.0%	2.7% <sup>7</sup>
	Newland Capital Advisors								
	Cal-Land Asset Partners, L.P.	Aug-95	13,421,951	0.2%	23.4%	-26.3%	-22.1%	-14.8%	-4.4% <sup>8</sup>
	Newland National Partners, L.P.	Oct-99	193,174,076	2.3%	-26.5%	-34.0%	-42.1%	-23.0%	-7.9% <sup>7</sup>
	Newland National Partners II, LLC	Oct-03	156,949,501	1.9%	-16.8%	-10.5%	-5.4%	-4.1%	-2.1% <sup>7</sup>
	Newland National Partners III, LLC	May-05	26,209,186	0.3%	-86.5%	N/M	N/M	N/M	N/M <sup>6</sup>
	Newland National Partners IV, LLC	Jun-06	44,084,611	0.5%	-70.8%	-72.8%	-86.2%	N/AP	-74.8% <sup>9</sup>
	Resmark Equity Partners, LLC								
	ORA Multifamily Investments I, LLC	Dec-04	(24,846,681)	-0.3% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>
	ORA Residential Investments I, L.P.	Oct-99	93,108,438	1.1%	5.4%	104.0%	-31.2%	-11.1%	14.6% <sup>5</sup>
	Shea Homes, L.P.								
	Shea Capital I, LLC	Apr-05	111,300,613	1.3%	-1.0%	-31.3%	N/M	N/M	N/M <sup>6</sup>
	Shea Mountain House, LLC	May-05	100,433,451	1.2%	-0.2%	-60.4%	N/M	N/M	N/M <sup>6</sup>

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees				
		Inception	% of		Qtr	1-Yr	3-Yr	5-Yr	Since Inception
		Date	Amount	Opportunistic					
Opportunistic	Opportunistic & Tactical								
	Aetos Asia Real Estate Securities	Apr-07	\$ 2,823,243	0.0% <sup>4</sup>	0.0%	-5.1%	-7.7%	N/AP	-4.4%
	Aetos Capital Asia TE, L.P.	Feb-03	18,343,652	0.2%	2.0%	-10.3%	-12.9%	6.1%	N/M <sup>10</sup>
	Aetos Capital Asia TE II, Ltd.	Sep-05	140,624,708	1.7%	-7.5%	-28.5%	-19.6%	-12.6%	N/M <sup>11</sup>
	AEW Senior Housing Company, LLC	Jun-01	91,100,724	1.1%	1.6%	3.2%	1.8%	24.8%	24.1%
	AEW-SHP Managed Portfolio	Jan-09	(25,476,997)	-0.3% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>3</sup>
	Apollo Real Estate Finance Corporation	Sep-06	79,368,315	0.9%	0.2%	-8.2%	0.8%	N/AP	N/M <sup>10</sup>
	ARA Asia Dragon Fund	Oct-07	358,329,429	4.2%	0.3%	2.9%	12.9%	N/AP	12.9%
	AREA Real Estate Investment Fund V, L.P.	Sep-05	33,984,802	0.4%	-1.7%	-18.4%	-21.1%	N/M	N/M <sup>6</sup>
	Capmark Structured Real Estate Partners, L.P.	Nov-06	17,500,451	0.2%	25.6%	6.3%	-49.4%	N/AP	-37.0% <sup>8</sup>
	CBRE Strategic Partners Europe Fund III	Dec-06	64,146,893	0.8%	1.3%	5.9%	N/M	N/AP	N/M <sup>3</sup>
	CBRE Strategic Partners UK Fund II	May-05	(6,769,079)	-0.1% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>
	CBRE Strategic Partners UK Fund III	Dec-06	23,928,817	0.3%	-4.2%	-5.5%	N/M	N/AP	N/M <sup>12</sup>
	CMR Commercial Mortgage Fund, LLC	Nov-06	25,806,344	0.3%	-7.1%	-12.9%	1.7%	N/AP	-3.1%
	DB Real Estate Global Opportunities IA, L.P.	Dec-03	1,293,849	0.0% <sup>4</sup>	-2.5%	-3.0%	44.5%	N/M	N/M <sup>13</sup>
	DB Real Estate Global Opportunities IB, L.P.	Dec-03	31,356,265	0.4%	3.1%	5.4%	-13.9%	10.3%	N/M <sup>14</sup>
	European Property Investors, L.P.	Sep-04	37,877,299	0.4%	2.8%	11.1%	20.5%	32.3%	N/M <sup>10</sup>
	Fillmore East Fund, L.P.	Dec-05	11,620,318	0.1%	N/M	N/M	N/M	N/M	N/M <sup>13</sup>
	Fortress Holiday Investment Fund, L.P.	Feb-07	65,348,054	0.8%	0.6%	44.4%	-1.5%	N/AP	-1.9% <sup>5</sup>
	Fortress Investment Fund IV (Fund A), L.P.	Jul-06	73,359,828	0.9%	-1.8%	8.2%	-8.4%	N/AP	-4.1%
	Fortress Residential Investment Deutschland (Fund A)	Aug-05	48,338,809	0.6%	10.6%	-19.4%	-19.5%	-11.4%	-12.8%
	Fortress RIC ColInvestment Fund, L.P.	Jul-06	11,101,483	0.1%	8.4%	-10.7%	-22.6%	N/AP	-13.3%
	Global Innovation Partners, LLC	Apr-01	126,222,342	1.5%	-0.1%	9.9%	-5.0%	18.2%	16.8%
	GI Partners Fund II, L.P.	Sep-05	542,272,648	6.4%	3.3%	20.9%	5.9%	5.5%	5.1%
	GI Partners Fund III, L.P.	Jul-08	251,389,126	3.0%	10.2%	22.1%	N/AP	N/AP	22.0%

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees				
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception
Opportunistic	Opportunistic & Tactical								
	Guggenheim Structured Real Estate III, L.P.	Oct-07	\$ 58,857,359	0.7%	0.9%	3.5%	-9.9%	N/AP	-9.9%
	Hampshire Partners Fund VI, L.P.	Dec-03	21,676,977	0.3%	2.6%	-33.1%	-11.1%	-0.2%	8.6%
	Harbert European Real Estate Fund II, L.P.	Jun-06	63,010,807	0.7%	10.7%	19.7%	9.5%	N/AP	-6.5%
	HCB Interests, L.P.	Aug-05	29,499,553	0.3%	0.0%	35.8%	39.9%	N/M	N/M
	HCB Interests II, L.P.	Apr-07	167,496,300	2.0%	4.1%	7.8%	N/M	N/AP	N/M
	HCC Interests, L.P.	Jul-06	3,015,217	0.0%	N/M	N/M	N/M	N/AP	N/M
	HCM Holdings, L.P.	Jan-05	99,718,062	1.2%	4.5%	-17.3%	-12.7%	N/M	N/M
	HCM Holdings II, L.P.	Apr-07	(37,099,109)	-0.4%	N/M	N/M	N/M	N/M	N/M
	Hines European Development Fund, L.P.	Mar-03	(10,162,984)	-0.1%	N/M	N/M	N/M	N/M	N/M
	Hines European Development Fund II, L.P.	Mar-07	(31,386,541)	-0.4%	N/M	N/M	N/M	N/M	N/M
	HC Green Development Fund, L.P.	Aug-06	186,869,388	2.2%	-0.1%	0.6%	N/M	N/AP	N/M
	HCS Interests, L.P.	Jan-06	3,497,953	0.0%	-3.0%	N/M	N/M	N/M	N/M
	IL & FS India Realty Fund, LLC	Apr-06	144,724,067	1.7%	0.9%	38.4%	8.4%	N/AP	N/M
	IL & FS India Realty Fund II, LLC	Dec-07	103,144,544	1.2%	-2.1%	19.2%	N/M	N/AP	N/M
	JER Europe Fund III, L.P.	Mar-06	15,139,419	0.2%	9.4%	43.8%	-41.6%	N/AP	N/M
	JER US Debt Co-Investment Vehicle, L.P.	Dec-07	34,637,328	0.4%	-0.9%	-40.0%	N/M	N/AP	N/M
	Kennedy Wilson Property Fund II	Nov-05	37,200,762	0.4%	0.9%	-17.5%	-5.1%	N/M	N/M
	LaSalle Asia Opportunity Fund III, L.P.	Sep-07	50,557,012	0.6%	-4.5%	N/M	N/M	N/M	N/M
	LaSalle French Fund II, L.P.	Dec-05	45,068,082	0.5%	2.7%	2.1%	0.9%	-13.3%	-13.3%
	LaSalle Japan Logistics Fund II, L.P.	Sep-07	6,108,145	0.1%	5.2%	N/M	N/M	N/M	N/M
	Lowe Resort Community Fund, LLC	Oct-06	1,629,347	0.0%	-0.2%	-16.6%	-49.1%	N/AP	-42.1%
	Market Street Capital Partners, L.P.	Jul-06	76,039,850	0.9%	3.2%	-1.1%	-14.1%	N/AP	-16.6%
Meriwether Farms, LLC	May-04	42,983,183	0.5%	-3.0%	-49.8%	-23.0%	-16.1%	-14.0%	

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees				
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception
Opportunistic	Opportunistic & Tactical								
	MGPA Asia Fund II	Aug-05	\$ 58,768,010	0.7%	-2.8%	-0.6%	-6.3%	1.0%	-2.2%
	MGPA Europe Parallel Fund II, L.P.	Aug-05	56,908,383	0.7%	4.7%	13.7%	-15.6%	7.9%	N/M <sup>6</sup>
	Niam Nordic Investment Fund III	Sep-04	44,431,897	0.5%	7.1%	31.9%	13.2%	38.1%	26.2%
	Niam Nordic Investment Fund IV	Jan-08	100,530,828	1.2%	5.2%	17.8%	N/AP	N/AP	N/M <sup>10</sup>
	Pacific Vineyard Partners, LLC	Jul-02	67,429,227	0.8%	-1.8%	-29.9%	-11.6%	-9.0%	-7.3%
	PERS-400 R Street	Apr-05	17,125,996	0.2%	5.9%	26.5%	23.8%	18.2%	N/M <sup>14</sup>
	PLA Residential Fund I, LLC	Jul-04	25,666,908	0.3%	19.5%	68.1%	56.8%	46.8%	37.5%
	PLA Retail Fund I, L.P.	Nov-06	74,269,840	0.9%	2.0%	11.2%	2.6%	N/AP	N/M <sup>10</sup>
	PRECO Account Partnership III, L.P.	Jul-06	47,780,717	0.6%	1.4%	-38.6%	-24.7%	N/AP	-17.6%
	PRECO III Co-invest (Senior Housing UK Investment II)	Jan-08	2,595,283	0.0%	1.3%	-54.0%	-30.0%	N/AP	-30.0%
	Principal Mortgage Value Investors, L.P.	Apr-07	21,667,574	0.3%	6.9%	17.3 %	-71.8 %	N/AP	N/M <sup>10</sup>
	RLJ Lodging Fund II, L.P.	May-06	57,626,404	0.7%	-0.5%	-23.2%	-10.8%	-6.0%	-6.0%
	RLJ Real Estate Fund III, L.P.	Jul-08	49,359,745	0.6%	-0.7%	0.2%	-24.1%	N/AP	-24.1%
	Rockpoint Real Estate Fund II, L.P.	Sep-05	13,806,140	0.2%	-3.0%	-26.1%	-27.9%	N/M	N/M <sup>10</sup>
	Rockpoint Real Estate Fund III, L.P.	Sep-07	75,901,915	0.9%	12.7%	-0.1%	N/M	N/AP	N/M <sup>6</sup>
	RREEF Global Opportunities Fund II, LLC	Dec-05	87,610,292	1.0%	2.0%	-13.5%	-20.9%	-19.4%	-19.4%
	Savanna Real Estate Fund I, L.P.	Jan-07	56,245,689	0.7%	4.5%	3.5%	-3.6%	N/AP	N/M <sup>12</sup>
	SDL Hospitality Co-Invest Fund, L.P.	Oct-05	183,629,774	2.2%	8.4%	-6.5%	-0.6%	18.3%	18.3%
	Secured Capital Japan Real Estate Partners Asia, L.P.	Jun-06	282,463,138	3.3%	1.5%	-8.5%	-1.6%	N/AP	N/M <sup>12</sup>
	Secured Capital Japan Real Estate Partners I, L.P.	Mar-04	9,163,289	0.1%	0.3%	-7.6%	0.0%	23.8%	22.2%
	Secured Capital Japan Real Estate Partners II, L.P.	Sep-05	81,284,463	1.0%	0.9%	-3.8%	3.5%	N/M	N/M <sup>14</sup>

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees				
		Inception		% of				Since	
		Date	Amount	Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Inception
Opportunistic	Opportunistic & Tactical								
	Starwood Capital Hospitality Fund I-2, L.P.	Apr-05	\$ 182,190,975	2.2%	3.0%	-6.4%	-18.3%	N/M	N/M <sup>12</sup>
	Starwood Capital Hospitality Fund II Global, L.P.	Oct-08	36,392,935	0.4%	0.3%	N/M	N/AP	N/AP	N/M <sup>12</sup>
	Stockbridge Hollywood Park Co-Investors, L.P.	Oct-05	101,460,819	1.2%	0.0%	0.8%	4.1%	N/M	N/M <sup>12</sup>
	Stockbridge Real Estate Fund II-B, L.P.	Oct-05	17,516,412	0.2%	6.0%	-56.5%	-65.4%	N/M	N/M <sup>6</sup>
	Strategic Partners Value Enhancement Fund, L.P.	Jul-05	35,025,156	0.4%	0.7%	-27.4%	-10.0%	-21.9%	N/M <sup>6</sup>
	Sun Apollo India Real Estate Fund, LLC	Dec-06	18,728,419	0.2%	4.1%	12.5%	-5.7%	N/AP	N/M <sup>12</sup>
	TPG Hospitality Investments IV, LLC	Apr-06	(19,427,393)	-0.2% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>
	Windsor Realty Fund VII, L.P.	Oct-06	17,896,277	0.2%	-3.8%	-53.2%	-33.4%	N/AP	N/M <sup>6</sup>
	Xander Co-Investment	Aug-07	112,790,167	1.3%	3.5%	16.0%	-13.6%	N/AP	-12.7%
	Xander JV Fund I (India Realty)	Sep-07	4,325,570	0.1%	-1.0%	14.4%	N/M	N/AP	N/M <sup>12</sup>

**Opportunistic Real Estate Portfolio Performance Detail by Partnership/Account** *For the Period Ending September 30, 2010***Performance Detail by Partnership / Account (Before Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns Before Fees					
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	
Opportunistic	Urban									
	301 Capitol Mall, L.P.	Jun-07	\$ 25,516,683	0.3%	0.0%	N/M	N/M	N/AP	N/M	<sup>3</sup>
	AGI-TMG Housing Partners I, LLC	Nov-06	(2,145,092)	0.0%	<sup>4</sup> N/M	N/M	N/M	N/AP	N/M	<sup>3</sup>
	American Value Partners Fund I, L.P.	Sep-06	32,012,232	0.4%	4.3%	-3.8%	N/M	N/AP	N/M	<sup>19</sup>
	BRIDGE Urban Infill Land Development, LLC (BUILD)	Jun-02	30,670,478	0.4%	-10.9%	55.5%	-20.5%	-13.3%	-5.5%	<sup>5</sup>
	Buchanan Urban Investors II, LLC	Aug-03	93,571,018	1.1%	-4.6%	-55.8%	-34.8%	-17.8%	-10.8%	<sup>7</sup>
	CAL Special Urban Housing	Dec-09	81,456,015	1.0%	0.9%	-24.8%	N/AP	N/AP	N/M	<sup>10</sup>
	California Smart Growth Fund IV, L.P.	Jul-06	42,630,454	0.5%	7.1%	17.5%	-26.2%	-19.7%	-19.7%	<sup>7</sup>
	CalSmart, LLC	Mar-01	192,895,444	2.3%	1.4%	-61.3%	-36.5%	-15.2%	-1.9%	<sup>7</sup>
	Canyon Johnson Urban Fund III	Oct-08	17,195,040	0.2%	N/M	N/M	N/M	N/AP	N/M	<sup>3</sup>
	Centerline Urban Capital I, LLC	Jun-02	54,824,901	0.6%	-0.1%	-36.2%	-27.8%	-18.2%	-7.1%	<sup>7</sup>
	CIM Fund III, L.P.	May-06	101,557,722	1.2%	-1.9%	-27.8%	N/M	N/AP	N/M	<sup>3</sup>
	CIM Urban Real Estate Fund, L.P.	Dec-00	443,327,713	5.3%	-0.3%	-15.2%	-3.2%	16.1%	N/M	<sup>20</sup>
	CityView America Fund I, LLC	Jul-05	63,662,351	0.8%	0.1%	N/M	N/M	N/M	N/M	<sup>21</sup>
	CityView LA Urban Fund I, L.P.	Apr-07	21,096,072	0.2%	0.1%	0.3%	-11.9%	N/AP	-11.8%	
	CUIP (SCG)	Oct-09	(6,802,641)	-0.1%	<sup>4</sup> N/M	N/M	N/M	N/AP	N/M	<sup>3</sup>
	KAREC California Development Program, LLC	Apr-02	312,981,463	3.7%	1.4%	11.3%	-15.5%	-1.9%	7.8%	
	KSC Affordable Housing Investment Fund, LLC	Jan-03	26,211,750	0.3%	0.3%	1.3%	0.7%	0.2%	-1.3%	
	Legacy Partners Affordable Housing Fund, LLC	Jun-03	33,044,122	0.4%	-16.0%	-84.6%	-46.4%	-31.2%	-22.8%	<sup>22</sup>
	Next Block Medical I, L.P.	Jun-06	19,296,474	0.2%	-54.7%	-75.1%	-39.2%	N/AP	-31.2%	<sup>7</sup>
	Pacific Cityhome, LLC	Aug-03	115,156,328	1.4%	0.8%	-50.8%	-50.4%	-32.6%	-18.6%	<sup>9</sup>
	Urban America L.P. II	Jan-07	55,126,545	0.7%	9.8%	13.8%	-6.1%	N/AP	-16.9%	
Total Opportunistic			\$ 8,440,691,683 <sup>2</sup>	98.6%	-2.6%	-16.0%	-33.3%	-15.0%	6.0%	

**Core Real Estate Portfolio Performance Detail by Partnership / Account (After Fee) For the Period Ending September 30, 2010****Performance Detail by Partnership / Account (After Fee)**

	Net Assets at Fair Market Value				Total Nominal Returns After Fees						
	Inception Date	Amount	% of Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception IRR AF <sup>23</sup>		
Core	Apartment										
	Western Multifamily, LLC	Jan-98	\$ 1,438,999,982	17.8%	49.5%	31.0%	-21.9%	-6.5%	5.0%	<sup>1</sup>	N/M
	Windsor Realty Fund III, L.P.	Jan-98	77,324,711	1.0%	3.7%	-12.3%	-19.3%	-3.3%	9.6%		27.7%
	Industrial										
	CalEast Global Logistics, LLC	Apr-98	1,983,935,595	24.6%	1.9%	-6.4%	-26.2%	-12.9%	2.8%		N/M
	CalWest Industrial Properties, LLC	Apr-98	234,953,908	2.9%	1.4%	4.7%	-4.5%	9.7%	14.3%		20.7%
	Office										
	CIM Urban REIT, LLC	Feb-05	397,716,059	4.9%	1.1%	-3.6%	1.3%	3.1%	2.9%		1.0%
	Fifth Street Properties	Jul-98	46,938,943	0.6%	-0.8%	-5.1%	-26.6%	-10.0%	5.3%		32.9%
	National Office Partners, L.P.	Jul-98	711,004,114	8.8%	22.8%	55.3%	-34.1%	-13.1%	2.3%	<sup>1</sup>	23.1%
	REITS										
	FTSE EPRA NAREIT Developed REIT	Jul-09	1,157,403,170	14.4%	18.4%	18.4%	N/AP	N/AP	29.2%		N/M
	Retail										
	Global Retail Investors, LLC	Dec-05	429,668,324	5.3%	3.5%	43.6%	-2.4%	-1.1%	-1.1%	<sup>1</sup>	8.1%
	Institutional Mall Investors, LLC	Oct-03	1,584,838,222	19.7%	1.8%	2.4%	-5.2%	4.7%	12.7%		N/M
Total Core		Apr-82	\$ 8,062,783,028 <sup>2</sup>	100.0%	12.1%	9.4%	-19.2%	-4.7%	7.8%		

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

Performance Detail by Partnership / Account (After Fee)										
	Net Assets at Fair Market Value			Total Nominal Returns After Fees					Since Inception IRR AF <sup>23</sup>	
	Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception		
Opportunistic	Housing									
	Hearthstone Advisors									
	Hearthstone Housing Partners II, LLC	Aug-04	\$ 160,606,392	1.9%	12.1%	13.7%	-30.9%	-27.9%	-22.5%	N/M
	Hearthstone Housing Partners III, LLC	Oct-06	20,542,781	0.2%	-28.4%	N/M	N/M	N/AP	N/M <sup>3</sup>	N/M
	Hearthstone Multi-State Residential Value-Added III	Sep-03	(6,304,069)	-0.1% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>	26.1%
	Hearthstone Path-of-Growth Fund, LLC	Nov-05	164,140,677	1.9%	9.0%	N/M	N/M	N/M	N/M <sup>3</sup>	N/M
	Institutional Housing Partners									
	IHP Investment Fund I, L.P.	Jul-92	174,296,724	2.1%	-1.2%	41.1%	-6.7%	12.9%	15.9% <sup>5</sup>	19.9%
	IHP Investment Fund II, L.P.	Sep-95	22,485,232	0.3%	-5.6%	-34.2%	-60.4%	-38.7%	N/M <sup>6</sup>	N/M
	IHP Investment Fund III, L.P.	Oct-99	380,522,835	4.5%	-0.4%	-9.4%	-39.1%	-24.7%	-4.2% <sup>7</sup>	N/M
	Newland Capital Advisors									
	Cal-Land Asset Partners, L.P.	Aug-95	13,421,951	0.2%	23.4%	-26.3%	-22.1%	-14.8%	-5.5% <sup>8</sup>	6.6%
	Newland National Partners, L.P.	Oct-99	193,174,076	2.3%	-26.5%	-35.6%	-42.5%	-23.4%	-8.1% <sup>7</sup>	N/M
	Newland National Partners II, LLC	Oct-03	156,949,501	1.9%	-16.8%	-10.5%	-5.4%	-4.1%	-1.9%	-6.8%
	Newland National Partners III, LLC	May-05	26,209,186	0.3%	-86.5%	N/M	N/M	N/M	N/M <sup>6</sup>	N/M
	Newland National Partners IV, LLC	Jun-06	44,084,611	0.5%	-70.8%	-72.8%	-86.2%	N/AP	-74.8% <sup>9</sup>	N/M
	Resmark Equity Partners, LLC									
	ORA Multifamily Investments I, LLC	Dec-04	(24,846,681)	-0.3% <sup>4</sup>	N/M	N/M	N/M	N/M	N/M <sup>3</sup>	N/M
	ORA Residential Investments I, L.P.	Oct-99	93,108,438	1.1%	4.5%	90.9%	-37.3%	-19.8%	4.1% <sup>5</sup>	2.3%
	Shea Homes, L.P.									
	Shea Capital I, LLC	Apr-05	111,300,613	1.3%	-2.0%	-33.5%	N/M	N/M	N/M <sup>6</sup>	N/M
Shea Mountain House, LLC	May-05	100,433,451	1.2%	-0.6%	-60.8%	-1.3%	-2.9%	-3.0% <sup>6</sup>	N/M	

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

**Performance Detail by Partnership / Account (After Fee)**

		Net Assets at Fair Market Value			Total Nominal Returns After Fees					Since Inception IRR AF <sup>23</sup>
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	
Opportunistic	Opportunistic & Tactical									
	Aetos Asia Real Estate Securities	Apr-07	\$ 2,823,243	0.0% <sup>4</sup>	0.0%	-5.1%	-7.8%	N/AP	-5.2%	-16.5%
	Aetos Capital Asia TE, L.P.	Feb-03	18,343,652	0.2%	3.8%	-6.9%	-9.6%	7.8%	N/M <sup>24</sup>	10.3%
	Aetos Capital Asia TE II, Ltd.	Sep-05	140,624,708	1.7%	-7.8%	-29.5%	-21.1%	-24.3%	N/M <sup>11</sup>	N/M
	AEW Senior Housing Company, LLC	Jun-01	91,100,724	1.1%	1.2%	1.7%	0.3%	23.0%	22.5%	31.2%
	AEW-SHP Managed Portfolio	Jan-09	(25,476,997)	-0.3% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>3</sup>	N/M
	Apollo Real Estate Finance Corporation	Sep-06	79,368,315	0.9%	-0.1%	-9.6%	-2.2%	N/AP	N/M <sup>10</sup>	-5.3%
	ARA Asia Dragon Fund	Oct-07	358,329,429	4.2%	-0.3%	-0.1%	N/M	N/AP	N/M <sup>10</sup>	10.0%
	AREA Real Estate Investment Fund V, L.P.	Sep-05	33,984,802	0.4%	-2.4%	-20.9%	-23.0%	N/M	N/M <sup>6</sup>	N/M
	Capmark Structured Real Estate Partners, L.P.	Nov-06	17,500,451	0.2%	24.4%	2.3%	-51.8%	N/AP	-41.2% <sup>7</sup>	N/M
	CBRE Strategic Partners Europe Fund III	Dec-06	64,146,893	0.8%	0.9%	4.6%	N/M	N/AP	N/M <sup>3</sup>	N/M
	CBRE Strategic Partners UK Fund II	May-05	(6,769,079)	-0.1% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>3</sup>	N/M
	CBRE Strategic Partners UK Fund III	Dec-06	23,928,817	0.3%	-5.0%	-8.6%	N/M	N/AP	N/M <sup>12</sup>	N/M
	CMR Commercial Mortgage Fund, LLC	Nov-06	25,806,344	0.3%	-7.1%	-12.9%	1.7%	N/AP	-3.1%	N/M
	DB Real Estate Global Opportunities IA, L.P.	Dec-03	1,293,849	0.0% <sup>4</sup>	2.4%	9.8%	34.4%	N/M	N/M <sup>24</sup>	26.0%
	DB Real Estate Global Opportunities IB, L.P.	Dec-03	31,356,265	0.4%	2.5%	5.5%	-5.2%	11.5%	N/M <sup>25</sup>	18.6%
	European Property Investors, L.P.	Sep-04	37,877,299	0.4%	2.4%	9.4%	18.2%	31.6%	N/M <sup>10</sup>	16.2%
	Fillmore East Fund, L.P.	Dec-05	11,620,318	0.1%	N/M	N/M	N/M	N/M	N/M <sup>13</sup>	N/M
	Fortress Holiday Investment Fund, L.P.	Feb-07	65,348,054	0.8%	0.3%	42.9%	-2.8%	N/AP	-3.1% <sup>5</sup>	-2.9%
	Fortress Investment Fund IV (Fund A), L.P.	Jul-06	73,359,828	0.9%	-2.0%	7.3%	-9.2%	N/AP	-6.0%	-8.7%
	Fortress Residential Investment Deutschland (Fund A)	Aug-05	48,338,809	0.6%	10.1%	-20.8%	-21.1%	-13.4%	-14.9%	-11.6%
	Fortress RIC ColInvestment Fund, L.P.	Jul-06	11,101,483	0.1%	8.1%	-11.5%	-23.7%	N/AP	-14.4%	-17.0%
	Global Innovation Partners, LLC	Apr-01	126,222,342	1.5%	-0.1%	7.8%	-4.0%	19.2%	11.1% <sup>24</sup>	30.9%
	GI Partners Fund II, L.P.	Sep-05	542,272,648	6.4%	3.1%	19.9%	4.8%	4.0%	3.7%	5.1%
	GI Partners Fund III, L.P.	Jul-08	251,389,126	3.0%	9.1%	14.9%	N/AP	N/AP	N/M <sup>10</sup>	22.7%

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

Performance Detail by Partnership / Account (After Fee)										
		Net Assets at Fair Market Value			Total Nominal Returns After Fees					
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception IRR AF <sup>23</sup>
Opportunistic	Opportunistic & Tactical									
	Guggenheim Structured Real Estate III, L.P.	Oct-07	\$ 58,857,359	0.7%	0.7%	2.7%	-11.2%	N/AP	-11.2%	-14.4%
	Hampshire Partners Fund VI, L.P.	Dec-03	21,676,977	0.3%	2.3%	-34.0%	-12.0%	-2.0%	4.5%	3.4%
	Harbert European Real Estate Fund II, L.P.	Jun-06	63,010,807	0.7%	10.4%	17.6%	4.1%	N/AP	N/M	9.6%
	HCB Interests, L.P.	Aug-05	29,499,553	0.3%	-0.1%	35.3%	38.8%	N/M	N/M	45.3%
	HCB Interests II, L.P.	Apr-07	167,496,300	2.0%	3.2%	4.6%	N/M	N/AP	N/M	41.0%
	HCC Interests, L.P.	Jul-06	3,015,217	0.0%	N/M	N/M	N/M	N/AP	N/M	N/M
	HCM Holdings, L.P.	Jan-05	99,718,062	1.2%	4.3%	-18.0%	-14.0%	N/M	N/M	N/M
	HCM Holdings II, L.P.	Apr-07	(37,099,109)	-0.4%	N/M	N/M	N/M	N/AP	N/M	N/M
	Hines European Development Fund, L.P.	Mar-03	(10,162,984)	-0.1%	N/M	N/M	N/M	N/M	N/M	N/M
	Hines European Development Fund II, L.P.	Mar-07	(31,386,541)	-0.4%	N/M	N/M	N/M	N/AP	N/M	N/M
	HC Green Development Fund, L.P.	Aug-06	186,869,388	2.2%	-0.2%	0.1%	N/M	N/AP	N/M	-2.5%
	HCS Interests, L.P.	Jan-06	3,497,953	0.0%	-3.6%	N/M	N/M	N/AP	N/M	N/M
	IL & FS India Realty Fund, LLC	Apr-06	144,724,067	1.7%	0.6%	36.8%	6.7%	N/AP	N/M	13.8%
	IL & FS India Realty Fund II, LLC	Dec-07	103,144,544	1.2%	-2.7%	15.9%	N/M	N/AP	N/M	-2.1%
	JER Europe Fund III, L.P.	Mar-06	15,139,419	0.2%	9.1%	40.3%	-42.6%	N/AP	N/M	N/M
	JER US Debt Co-Investment Vehicle, L.P.	Dec-07	34,637,328	0.4%	-1.2%	-44.0%	N/M	N/AP	N/M	N/M
	Kennedy Wilson Property Fund II	Nov-05	37,200,762	0.4%	0.4%	-18.9%	-6.7%	N/M	N/M	-5.9%
	LaSalle Asia Opportunity Fund III, L.P.	Sep-07	50,557,012	0.6%	-6.0%	N/M	N/M	N/AP	N/M	N/M
	LaSalle French Fund II, L.P.	Dec-05	45,068,082	0.5%	1.4%	-1.0%	-1.8%	-30.0%	-30.0%	N/M
	LaSalle Japan Logistics Fund II, L.P.	Sep-07	6,108,145	0.1%	1.3%	N/M	N/M	N/AP	N/M	N/M
	Lowe Resort Community Fund, LLC	Oct-06	1,629,347	0.0%	-0.4%	-17.5%	-52.0%	N/AP	-50.5%	N/M
	Market Street Capital Partners, L.P.	Jul-06	76,039,850	0.9%	2.7%	-3.1%	-17.1%	N/AP	-15.6%	-11.3%
	Meriwether Farms, LLC	May-04	42,983,183	0.5%	-3.5%	-50.6%	-24.6%	-17.7%	-15.6%	N/M

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

**Performance Detail by Partnership / Account (After Fee)**

			Net Assets at Fair Market Value			Total Nominal Returns After Fees					
			Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception IRR AF <sup>23</sup>
Opportunistic	Opportunistic & Tactical										
	MGPA Asia Fund II	Aug-05	\$ 58,768,010	0.7%	-3.1%	-1.9%	-6.8%	-10.8%	N/M	<sup>27</sup>	-4.1%
	MGPA Europe Parallel Fund II, L.P.	Aug-05	56,908,383	0.7%	4.4%	11.7%	-17.2%	45.3%	N/M	<sup>12</sup>	N/M
	Niam Nordic Investment Fund III	Sep-04	44,431,897	0.5%	6.7%	30.4%	12.1%	37.0%	9.8%		33.4%
	Niam Nordic Investment Fund IV	Jan-08	100,530,828	1.2%	4.6%	14.9%	N/AP	N/AP	N/M	<sup>10</sup>	11.0%
	Pacific Vineyard Partners, LLC	Jul-02	67,429,227	0.8%	-2.4%	-31.2%	-11.9%	-9.7%	-8.2%	<sup>7</sup>	N/M
	PERS-400 R Street	Apr-05	17,125,996	0.2%	5.9%	26.5%	23.8%	18.2%	N/M	<sup>14</sup>	25.1%
	PLA Residential Fund I, LLC	Jul-04	25,666,908	0.3%	16.0%	51.2%	40.6%	36.3%	28.9%	<sup>17</sup>	22.8%
	PLA Retail Fund I, L.P.	Nov-06	74,269,840	0.9%	1.6%	9.3%	-0.2%	N/AP	N/M	<sup>10</sup>	-0.1%
	PRECO Account Partnership III, L.P.	Jul-06	47,780,717	0.6%	1.1%	-39.4%	-25.7%	N/AP	-19.4%	<sup>7</sup>	N/M
	PRECO III Co-invest (Senior Housing UK Investmer	Jan-08	2,595,283	0.0%	0.9%	-55.9%	-30.2%	N/AP	-30.2%	<sup>18</sup>	-38.5%
	Principal Mortgage Value Investors, L.P.	Apr-07	21,667,574	0.3%	6.8%	17.2%	-72.5%	N/AP	N/M	<sup>10</sup>	N/M
	RLJ Lodging Fund II, L.P.	May-06	57,626,404	0.7%	-1.0%	-24.7%	-12.2%	-7.5%	-7.5%		-8.6%
	RLJ Real Estate Fund III, L.P.	Jul-08	49,359,745	0.6%	-2.1%	-5.2%	N/M	N/AP	N/M	<sup>10</sup>	N/M
	Rockpoint Real Estate Fund II, L.P.	Sep-05	13,806,140	0.2%	-3.9%	-28.5%	-29.6%	N/M	N/M	<sup>10</sup>	N/M
	Rockpoint Real Estate Fund III, L.P.	Sep-07	75,901,915	0.9%	12.1%	-14.1%	N/M	N/AP	N/M	<sup>12</sup>	N/M
	RREEF Global Opportunities Fund II, LLC	Dec-05	87,610,292	1.0%	2.4%	-14.7%	-22.0%	-21.7%	-21.7%	<sup>24</sup>	N/M
	Savanna Real Estate Fund I, L.P.	Jan-07	56,245,689	0.7%	4.2%	4.2%	-4.0%	N/AP	N/M	<sup>24</sup>	-4.9%
	SDL Hospitality Co-Invest Fund, L.P.	Oct-05	183,629,774	2.2%	5.4%	1.5%	3.9%	20.0%	20.0%	<sup>24</sup>	21.7%
	Secured Capital Japan Real Estate Partners Asia, L	Jun-06	282,463,138	3.3%	1.2%	-10.3%	-3.0%	N/AP	N/M	<sup>28</sup>	-4.5%
	Secured Capital Japan Real Estate Partners I, L.P.	Mar-04	9,163,289	0.1%	-0.7%	-9.0%	0.5%	21.4%	17.2%	<sup>24</sup>	28.7%
	Secured Capital Japan Real Estate Partners II, L.P.	Sep-05	81,284,463	1.0%	0.6%	-5.2%	1.1%	N/M	N/M	<sup>14</sup>	7.4%

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

**Performance Detail by Partnership / Account (After Fee)**

			Net Assets at Fair Market Value		Total Nominal Returns After Fees					Since Inception IRR AF <sup>23</sup>	
			Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	
Opportunistic	Opportunistic & Tactical										
	Starwood Capital Hospitality Fund I-2, L.P.	Apr-05	\$ 182,190,975	2.2%	2.8%	-7.2%	-10.7%	N/M	N/M	<sup>12</sup>	2.0%
	Starwood Capital Hospitality Fund II Global, L.P.	Oct-08	36,392,935	0.4%	-1.1%	N/M	N/AP	N/AP	N/M	<sup>3</sup>	N/M
	Stockbridge Hollywood Park Co-Investors, L.P.	Oct-05	101,460,819	1.2%	-0.2%	0.1%	3.3%	N/M	N/M	<sup>12</sup>	0.5%
	Stockbridge Real Estate Fund II-B, L.P.	Oct-05	17,516,412	0.2%	5.0%	-58.8%	-67.4%	N/M	N/M	<sup>6</sup>	N/M
	Strategic Partners Value Enhancement Fund, L.P.	Jul-05	35,025,156	0.4%	0.2%	-29.1%	-11.8%	N/M	N/M	<sup>6</sup>	N/M
	Sun Apollo India Real Estate Fund, LLC	Dec-06	18,728,419	0.2%	2.9%	7.1%	-11.9%	N/AP	N/M	<sup>3</sup>	-11.0%
	TPG Hospitality Investments IV, LLC	Apr-06	(19,427,393)	-0.2% <sup>4</sup>	N/M	N/M	N/M	N/AP	N/M	<sup>3</sup>	N/M
	Windsor Realty Fund VII, L.P.	Oct-06	17,896,277	0.2%	-4.7%	-55.2%	-36.1%	N/AP	N/M	<sup>6</sup>	N/M
	Xander Co-Investment	Aug-07	112,790,167	1.3%	2.7%	12.3%	-16.2%	N/AP	-15.1%		-16.0%
	Xander JV Fund I (India Realty)	Sep-07	4,325,570	0.1%	-3.6%	-2.0%	N/M	N/AP	N/M	<sup>12</sup>	N/M

Section IV: Performance by Partnership

**Opportunistic Real Estate Portfolio Performance Detail by Partnership / Account (After Fee)**

*For the Period Ending September 30, 2010*

**Performance Detail by Partnership / Account (After Fee)**

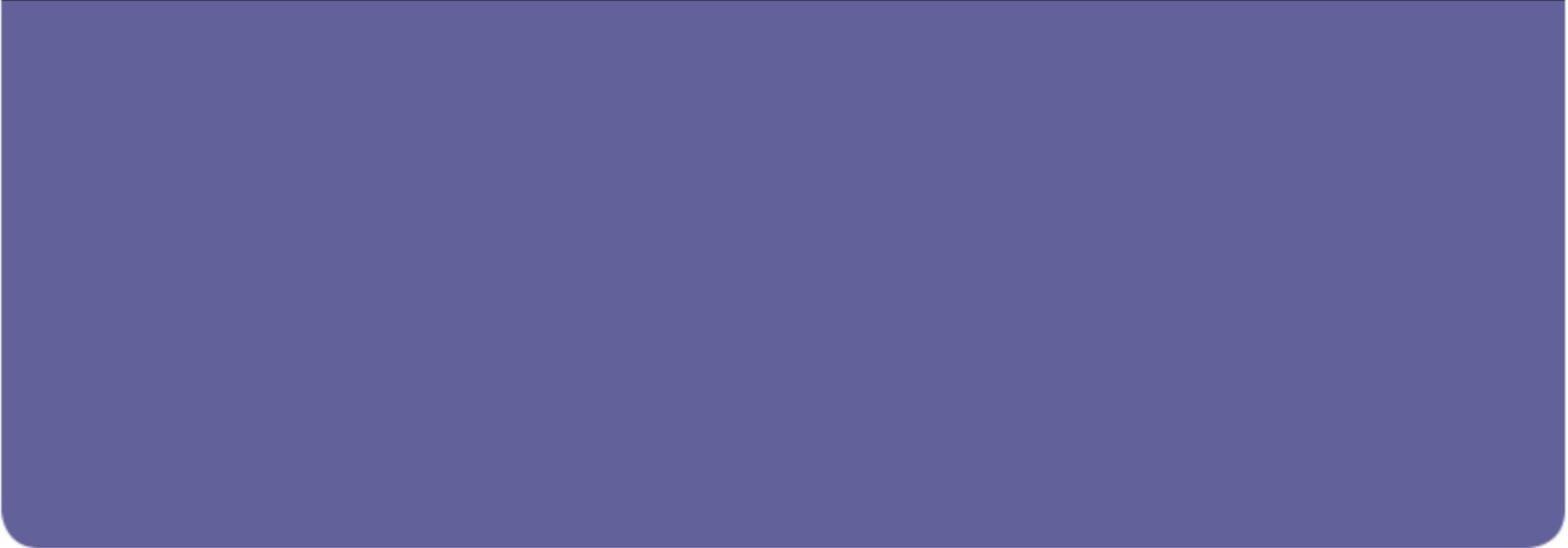
		Net Assets at Fair Market Value			Total Nominal Returns After Fees					Since Inception IRR AF <sup>23</sup>	
		Inception Date	Amount	% of Opportunistic	Qtr	1-Yr	3-Yr	5-Yr	Since Inception		
Opportunistic	Urban										
	301 Capitol Mall, L.P.	Jun-07	\$ 25,516,683	0.3%	-0.6%	N/M	N/M	N/AP	N/M	<sup>3</sup>	N/M
	AGI-TMG Housing Partners I, LLC	Nov-06	(2,145,092)	0.0% <sup>4</sup>	N/M	N/M	N/M	N/AP	N/M	<sup>3</sup>	N/M
	American Value Partners Fund I, L.P.	Sep-06	32,012,232	0.4%	3.6%	-8.0%	N/M	N/AP	N/M	<sup>19</sup>	N/M
	BRIDGE Urban Infill Land Development, LLC (BUILD)	Jun-02	30,670,478	0.4%	-11.1%	54.0%	-21.4%	-14.0%	-5.9%	<sup>5</sup>	N/M
	Buchanan Urban Investors II, LLC	Aug-03	93,571,018	1.1%	-5.4%	-57.0%	-36.0%	-19.2%	-12.1%	<sup>7</sup>	N/M
	CAL Special Urban Housing	Dec-09	81,456,015	1.0%	0.7%	N/M	N/AP	N/AP	N/M	<sup>10</sup>	-32.3%
	California Smart Growth Fund IV, L.P.	Jul-06	42,630,454	0.5%	6.5%	15.3%	-28.7%	-24.0%	-24.0%	<sup>7</sup>	N/M
	CalSmart, LLC	Mar-01	192,895,444	2.3%	1.0%	-62.1%	-38.1%	-18.3%	-4.3%	<sup>7</sup>	N/M
	Canyon Johnson Urban Fund III	Oct-08	17,195,040	0.2%	-7.0%	N/M	N/M	N/AP	N/M	<sup>3</sup>	N/M
	Centerline Urban Capital I, LLC	Jun-02	54,824,901	0.6%	-0.9%	-38.2%	-29.2%	-19.6%	-8.5%	<sup>7</sup>	N/M
	CIM Fund III, L.P.	May-06	101,557,722	1.2%	-3.4%	-48.2%	N/M	N/AP	N/M	<sup>3</sup>	N/M
	CIM Urban Real Estate Fund, L.P.	Dec-00	443,327,713	5.3%	-0.5%	-15.9%	-3.7%	15.2%	N/M	<sup>20</sup>	14.2%
	CityView America Fund I, LLC	Jul-05	63,662,351	0.8%	-1.2%	N/M	N/M	N/M	N/M	<sup>12</sup>	N/M
	CityView LA Urban Fund I, L.P.	Apr-07	21,096,072	0.2%	-1.5%	-34.0%	N/M	N/AP	N/M	<sup>29</sup>	N/M
	CUIP (SCG)	Feb-97	(6,802,641)	-0.1% <sup>4</sup>	N/M	N/M	N/AP	N/AP	N/M	<sup>3</sup>	N/M
	KAREC California Development Program, LLC	Apr-02	312,981,463	3.7%	1.2%	10.6%	-14.4%	-2.6%	5.8%		N/M
	KSC Affordable Housing Investment Fund, LLC	Jan-03	26,211,750	0.3%	-0.3%	-1.2%	-1.3%	-1.7%	-3.1%		N/M
	Legacy Partners Affordable Housing Fund, LLC	Jun-03	33,044,122	0.4%	-16.3%	-85.1%	-47.5%	-32.0%	-23.4%	<sup>22</sup>	N/M
	Next Block Medical I, L.P.	Jun-06	19,296,474	0.2%	-55.3%	-75.8%	-41.0%	N/AP	-34.4%	<sup>7</sup>	N/M
	Pacific Cityhome, LLC	Aug-03	115,156,328	1.4%	-1.0%	-53.4%	-52.6%	-36.7%	-30.2%	<sup>18</sup>	N/M
	Urban America L.P. II	Jan-07	55,126,545	0.7%	9.2%	11.3%	-8.8%	N/AP	-25.1%		N/M
Total Opportunistic			\$ 8,440,691,683 <sup>2</sup>	98.6%	-3.1%	-17.5%	-34.8%	-18.0%	3.6%		

## End Notes

	The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for
0	CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.
1	The current quarter and/or 1 year returns are high due to realized and/or unrealized appreciation.
2	Excludes sold portfolio activity.
3	Return(s) stated as "N/M" are not meaningful due to negative net assets which may have occurred in a prior quarter.
4	Less than 0.1% of the Opportunistic Portfolio.
5	Return(s) are high due to realized and/or unrealized appreciation.
6	Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV. Negative return(s) are due to large realized and/or unrealized appreciation loss.
7	Not meaningful and/or high negative return(s) are due to large realized and/or unrealized loss.
8	The current quarter return is high due to realized and/or unrealized appreciation.
9	Not meaningful and/or high negative return(s) are due to the large negative appreciation and negative net investment income.
10	Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.
11	Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter. High negative return(s) are due to large realized and/or unrealized loss.
12	Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.
13	Not meaningful and/or high return(s) are due to the large realized and/or unrealized appreciation compared to the NAV.
14	Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund.
15	Returns are high due to large unrealized/realized appreciation. The "N/M" returns are due to negative net assets which may have occurred in a prior quarter.
16	The 1 year returns are high due to large realized and/or unrealized gains. Return(s) stated as "N/M" are not meaningful due to net investment income and/or appreciation to small and/or negative NAV
17	Return(s) are high due to large net investment income.
18	High negative and/or not meaningful return(s) are due to large negative appreciation relative to weighted average equity.
19	High negative return(s) are due to large negative net investment income. Return(s) stated as "N/M" are not meaningful due to posting of net investment income and/or appreciation relative to a small and/or negative NAV.
20	Return(s) are not meaningful due to high realized and unrealized appreciation relative to a small NAV in fourth quarter 2003.
21	High returns due to large unrealized/ realized gains in the current quarter. Return(s) stated as "N/M" are not meaningful due to net investment income and/or appreciation to small and/or negative NAV
22	Legacy Partners recognized a significant loss/write-down in 1Q 2010 that represents both quarterly activity and adjustments for prior periods.
23	The Performance Monitoring Unit calculates the After Fee Internal Rate of Return (IRR) based on information provided in the Partnership financial statements (net capital contributed by quarter, Ending NAV). Refer to Appendix page V-3 for definition of IRR. The notation "N/M" indicates that the IRR cannot be calculated due to uneven cash flows, in cases of large losses (the terminal value/Ending NAV is significantly below the total net capital contributed), or when there are alternating positive and negative cash flows.
24	Negative investment management fee and/or negative incentive fee causes after fee return(s) to be higher than the before fee return(s).
25	Return(s) stated as "N/M" are not meaningful due to the occurrence of financial activity before CalPERS has made a contribution into the fund. Negative investment management fee and/or negative incentive fee causes after fee returns to be higher than the before fee returns.
26	After fee return(s) are not meaningful due to large management fee(s) relative to small NAV.
27	Return(s) stated as "N/M" are not meaningful due to large negative net investment income prior to December 2006 relative to weighted
28	High negative and/or not meaningful return(s) are due to large negative net investment income relative to weighted average equity which may have occurred in a prior period.
29	Not meaningful and/or high negative return(s) are due to the large negative appreciation and negative net investment income compared to the NAV.



*Section V*  
**Appendix**



## Performance Measurement Glossary

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**Annualized** – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

**Appreciation Return** – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\left[ \frac{\text{Realized + Unrealized Gain or Loss}}{\text{Beginning Net Assets + Time-Weighted Contributions - Time-Weighted Distributions}} \right] \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

**Capitalization Rate** – Any rate used to convert income into value. Value conversion formula is as follows:

$$\text{Net Operating Income} / \text{Capitalization Rate} = \text{Real Estate Value}$$

**Compounding** – Returns are geometrically compounded on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

## Performance Measurement Glossary

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**Credit Accommodation** – The term generally refers to a guaranty executed by CalPERS whereby CalPERS agrees to pay the debt obligation of an entity, in the event the entity fails to pay the debt obligation. The entity will usually be a limited partnership or limited liability company, and will be majority-owned by CalPERS. The debt obligation that CalPERS guarantees will be evidenced by an extension of credit (e.g., loan, line of credit, or other form of credit facility) by a financial institution to the entity. The benefit provided to CalPERS is that the guaranty will tend to lower the borrowing cost for the entity and should, in turn, enhance the overall return to the real estate investment. Guarantees become a contingent liability on the CalPERS overall balance sheet and should be used only when they provide economic benefit. Credit accommodation differs from credit enhancement in that a credit accommodation is not rated and does not use CalPERS Credit Enhancement Program (CEP) rating (either implied or explicitly). In addition, Credit Accommodation is made for an entity in which CalPERS has an existing, or proposed, ownership interest. Credit enhancement is the use of CalPERS balance sheet, through the program rating, in which CalPERS has no initial ownership interest and where CalPERS receives explicit consideration for the enhancement.

**Discount Rate** – A yield rate used to convert future payments or receipts into present value.

## Performance Measurement Glossary

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**Internal Rate of Return (IRR)** – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, for CALPERS reporting purposes, it is assumed that Partnership Contributions (outflows from CALPERS) and Distributions (inflows into CALPERS) represent net amounts, after all fees have been accounted for.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1+IRR) + CF_2 / (1+IRR)^2 + CF_3 / (1+IRR)^3 \dots CF_n / (1+IRR)^n = 0$$

**Investment Fees** – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

## Performance Measurement Glossary

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**J-Curve Effect** – Refers to the shape of a plotted trend line depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

**Market Value** – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period.

**Net Assets (Market Value)** – Total assets minus liabilities based on market value.

**Net Income Return** – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time weighted contributions and distributions. The net income return is computed as follows:

$$\left[ \frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

## Performance Measurement Glossary

---

**Net Investment Income** – The amount of net income that has accrued for the period, net of advisor fees.

**Nominal Returns** – Nominal returns are unadjusted for inflation.

**Other Credits** – (as shown on the Real Estate Continuity Schedule) - Comprised of foreign currency translation gain/loss, minority interest adjustments, and other comprehensive income.

**Property Type** – Eleven property type categories are used throughout the report. A property is placed into a category based on its primary use, unless otherwise designated as a mixed-use property.

**Realized Gain or Loss** – The gain or loss CalPERS realized from the disposition of a real estate asset. The computation is as follows:

Proceeds from Investments Sold – Cost of Investments Sold – Recognized  
Prior Period Appreciation on Investments = Realized Gain or Loss

**Real Estate Investment Trust (REIT)** – Similar to a mutual fund, a REIT is a corporation or trust that combines the capital of many investors to acquire or provide financing for all forms of real estate.

## Performance Measurement Glossary

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**Real Estate Investment Value** – The sum of components of real estate investments at fair value. REIV is computed as follows:

$$(\text{Equity} + \text{Capital Expenditures}) + \text{Mortgages Receivable} + \text{Debt/Equity}$$

**Real Returns** – Nominal returns adjusted for inflation as follows:

$$\left[ \frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

**The Consumer Price Index** – Urban (CPI-U) is used for the inflation factor.

**Time-Weighted Contributions** – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}}$$

## Performance Measurement Glossary

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**Time-Weighted Distributions** – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}}$$

**Time-Weighted Return (Calculations)** – Performance calculations do not include trailing activity related to sold assets before June 30, 2009. Trailing activity is included for assets sold after July 1, 2009.

**Total Net Return** – The sum of the net income return and the appreciation return.

**Unrealized Gain or Loss** – The change in market value of a real estate asset over the period of analysis adjusted for several factors. The computation is as follows:

$$\begin{aligned} &\text{Ending Real Estate Investment Value} - \text{Beginning Real Estate Investment Value} - \\ &\text{Capital Expenditures/New Acquisitions} - \text{Change in Joint Venture Costs} - \\ &\text{Mortgages Funded} + \text{Principal Payments Received} + \text{Cost of Assets Sold} \end{aligned}$$



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Operations, Performance, & Technology Division  
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February 14, 2011

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Inflation Linked Asset Class  
Quarterly Performance Report  
as of December 31, 2010
- II. PROGRAM:** Inflation Linked Asset Class
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Inflation Linked Asset Class (ILAC) Performance Report for the quarter ending December 31, 2010, has been prepared by staff from the Performance Monitoring Unit. The one-year total return (as of December 31, 2010) for the ILAC was 7.8% after fees. The since inception return of the ILAC portfolio was 1.5% after fees.

**V. STRATEGIC PLAN:**

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

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ALEJO GUTIERREZ  
Investment Officer  
Performance Monitoring Unit

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ALOK JAIN  
Investment Officer  
Performance Monitoring Unit

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CHRISTOPHER LUM  
Investment Officer  
Performance Monitoring Unit

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DANA WARMENHOVEN  
Investment Officer  
Performance Monitoring Unit

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PHIL HENDERSON  
Investment Officer  
Performance Monitoring Unit

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MATTHEW FLYNN  
Division Chief  
Operations, Performance & Technology

---

JANINE GUILLOT  
Chief Operating Investment Officer

---

JOSEPH A. DEAR  
Chief Investment Officer



# Inflation Linked Asset Class

*Quarterly Performance Report*



QUARTER ENDING DECEMBER 31, 2010



# **Inflation Linked Asset Class (ILAC) Quarterly Performance Report**

Quarter Ending December 31, 2010

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Material Exceptions

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Portfolio Performance Net of Fees

### **Section IV: Portfolio Detail**

Infrastructure Portfolio Diversification

Forestland Portfolio Diversification

Infrastructure and Forestland Partners Performance Detail Net of Fees

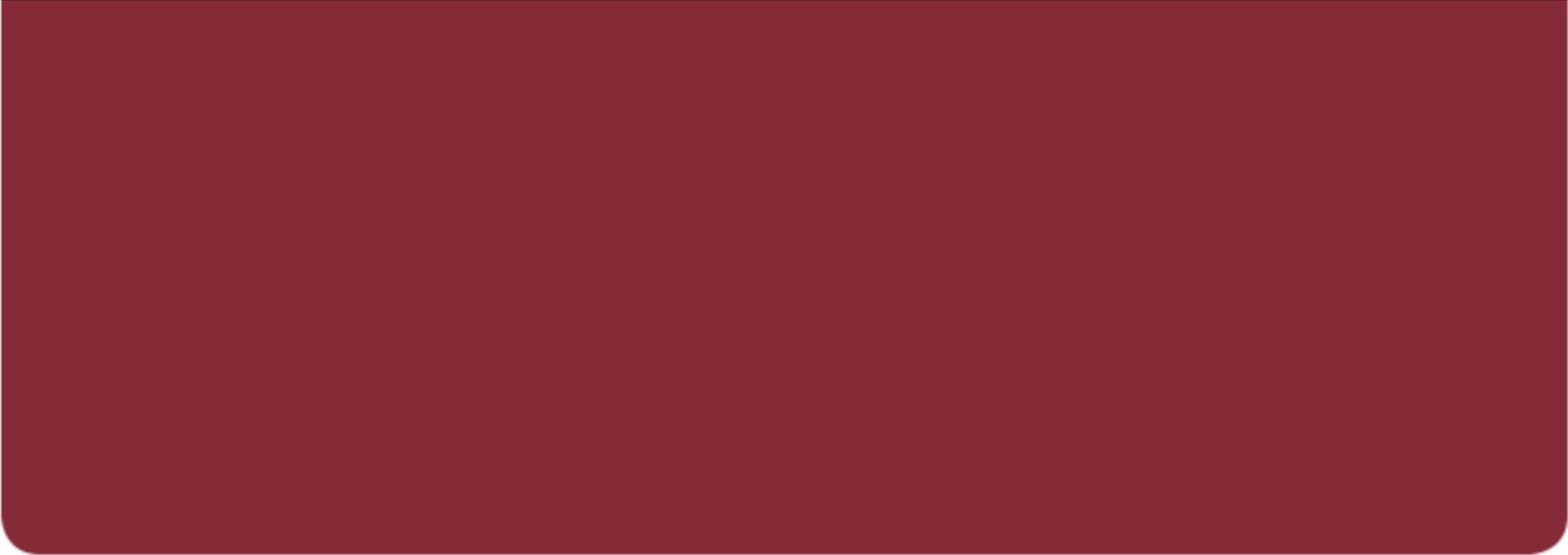
### **Section V: Appendix**

Performance Measurement Glossary



*Section I*

Total Inflation Linked Asset Class  
Review



**Inflation Linked Asset Class Quarterly Performance Report Disclosure**

CalPERS' Performance Monitoring Unit (PMU) compiles this Quarterly Performance Report (QPR) using financial information from two separate sources. For the Commodities and Inflation Linked Bonds portfolios, the PMU obtains the performance numbers from State Street Bank. For the Infrastructure and Forestland portfolios, the PMU utilizes financial information provided directly by the investment partners to calculate the performance numbers that are published in the QPR. For the Infrastructure and Forestland portfolios, CalPERS requires its investment partners to prepare and submit financial statements quarterly and to provide audited financial statements annually. CalPERS relies on the auditor's opinion regarding the financial statements. The QPR is updated to reflect the most current financial information provided by the investment partner.

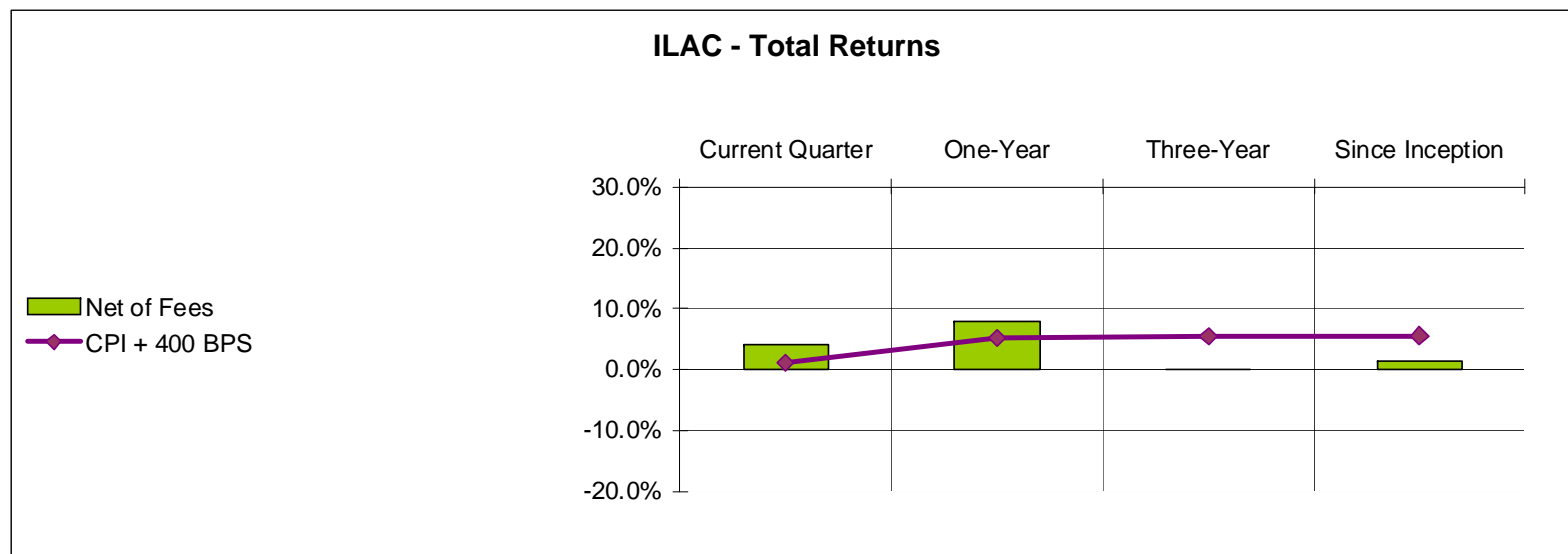
The financial information for the Infrastructure and Forestland portfolios' performance lags one-quarter due to industry reporting cycles. For the Infrastructure and Forestland portfolios, each investment partner supplies its quarterly financial statements to CalPERS' Performance Monitoring Unit, for the prior quarter. The PMU reviews the financial statements and performs analytical procedures to ensure the financial reports, prepared by the partners, are consistent with prior periods and comparable with other similarly situated CalPERS investment partners. Such analytical procedures include comparisons of management and incentive fees, expenses, long-term debt, and return on equity.

The financial data in the QPR is reviewed consistent with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Forestland portfolio assets are appraised using the same procedures as Real Estate assets. Independent real estate appraisal firms provide an unbiased and neutral opinion of asset value. All appraisals are completed in compliance with the Appraisal Institute's Uniform Standards of Professional Appraisal Practice.

**Total Inflation Linked Asset Class (as of December 31, 2010)**

<b>Net Assets at Fair Market Value</b>	<b>\$6,748,928,082</b>			
	<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year</b>	<b>Since Inception</b>
<b>Total</b>				
<b>Net of Fees</b>	<b>4.2%</b>	<b>7.8%</b>	<b>-0.1%</b>	<b>1.5%</b>
<b>Benchmark</b>				
<b>CPI + 400 BPS</b>	<b>1.2%</b>	<b>5.2%</b>	<b>5.4%</b>	<b>5.6%</b>
Difference Between Total ILAC Net of Fees and CPI + 400 BPS	3.0%	2.6%	-5.5%	-4.1%

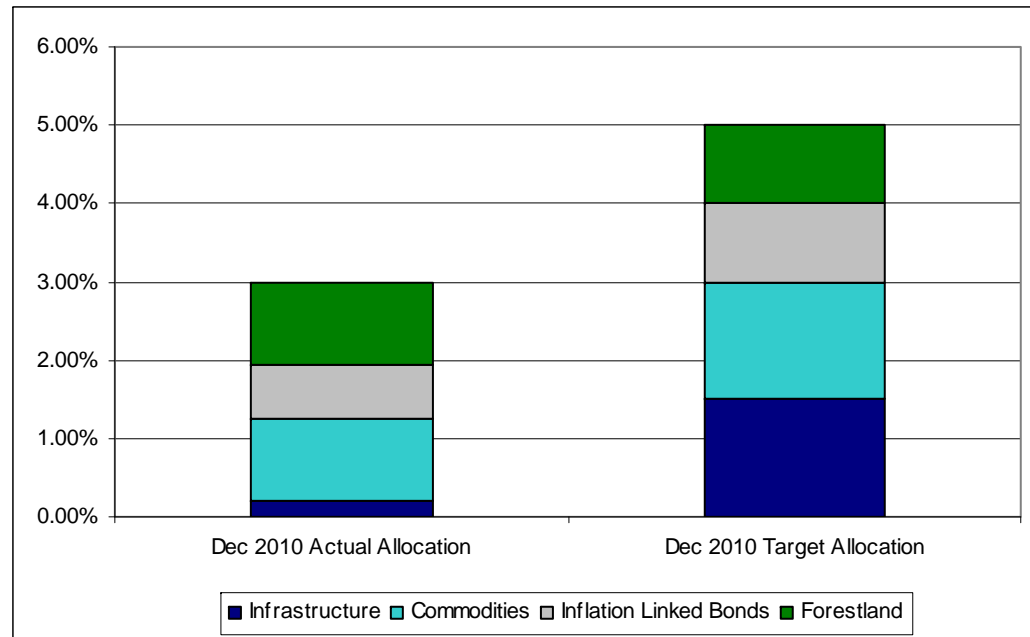


\* Percentage totals may not foot due to rounding.

### **Total Asset Class Performance Review**

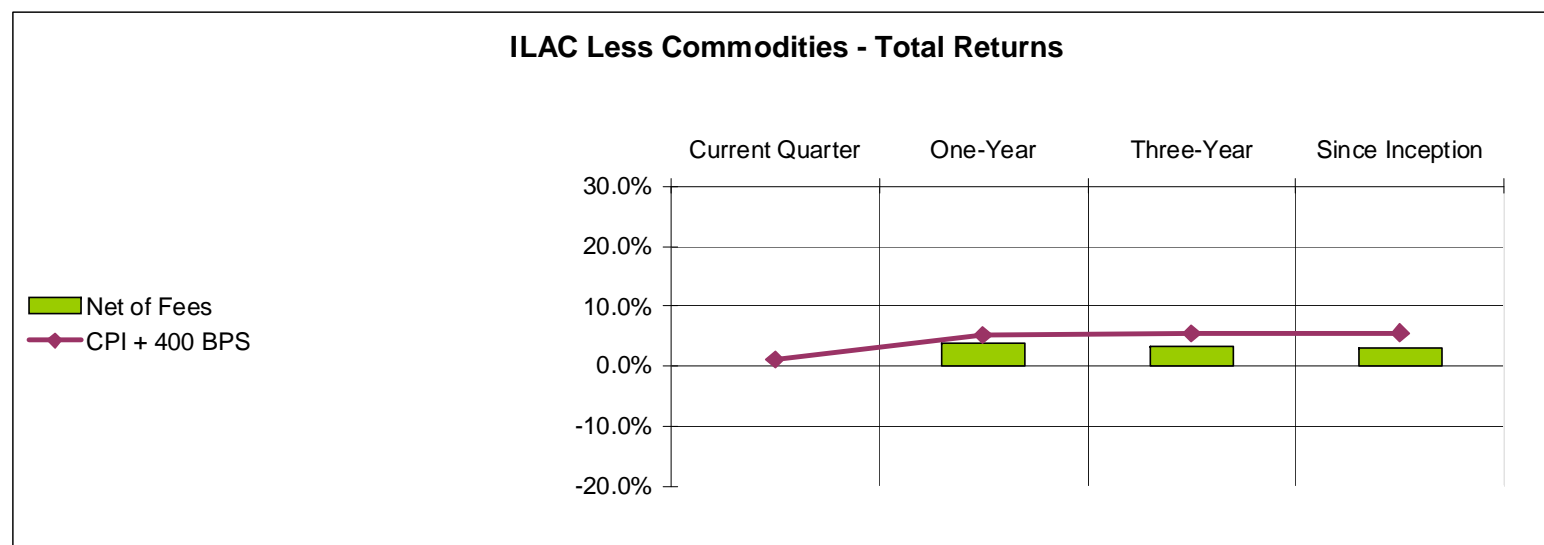
The one-year as of December 31, 2010 total return for ILAC was 7.8% net of fees. The nominal net of fee total return since inception was 1.5% as of December 31, 2010. ILAC outperformed its policy benchmark for the current quarter and the one-year returns.

### **Target Allocation of Total fund**



**Inflation Linked Asset Class Less Commodities (as of December 31, 2010)**

<b>Net Assets at Fair Market Value</b>	<b>\$4,378,753,981</b>			
	<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year</b>	<b>Since Inception</b>
<b>Total</b>				
<b>Net of Fees</b>	<b>0.0%</b>	<b>3.9%</b>	<b>3.4%</b>	<b>3.1%</b>
<b>Benchmark</b>				
<b>CPI + 400 BPS</b>	<b>1.2%</b>	<b>5.2%</b>	<b>5.4%</b>	<b>5.6%</b>
Difference Between Total ILAC Less Commodities Net of Fees and CPI + 400 BPS	-1.2%	-1.3%	-2.0%	-2.5%

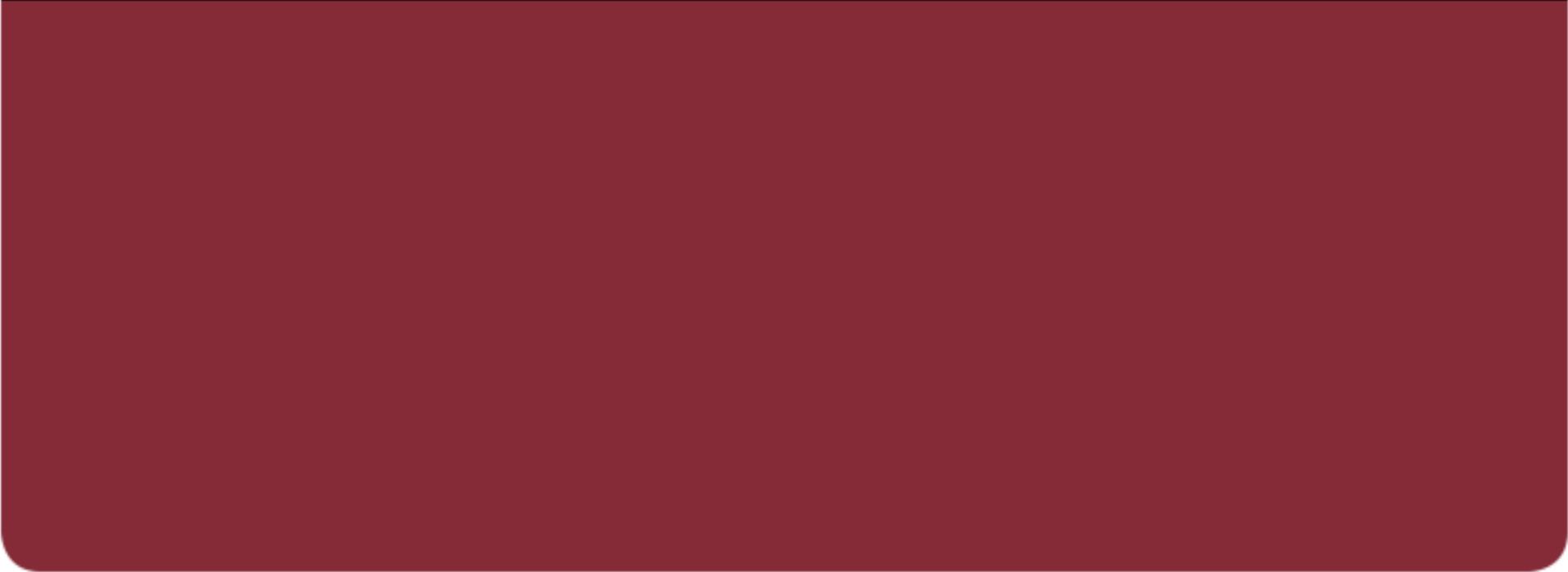


\* Percentage totals may not foot due to rounding.



*Section II*

Significant Events / Material  
Exceptions to Policy



**Significant Events**

**Infrastructure**

There were no significant events in the Infrastructure portfolio for this quarter.

**Forestland**

There were no significant events in the Forestland portfolio for this quarter.

**Material Exceptions to Policy**

**Infrastructure**

OECD investments outside of the US have a NAV of \$265.9 million. This amount represents 60% of the NAV of the Infrastructure portfolio, which is above the 20-40% policy range. Note, however, the amount is only 8% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.

Value-Added investments have a NAV of \$152.4 million. This amount represents 34% of the NAV of the Infrastructure portfolio, which is below the 40-70% policy range. Note, however, the amount is 5% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment

allocations within the portfolio are expected to move toward compliance with the policy range.

Opportunistic investments have a NAV of \$133.8 million. This amount represents 30% of the NAV of the Infrastructure portfolio, which is above the 0-20% policy range. Note, however, the amount is only 4% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.

The \$300 million commitment to Alinda II represents 35% of our current commitments of \$860 million. This 35% is above the 25% limit of committed capital in any single investment in a partnership or fund. Note, however, the amount is only 9% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment commitments within the portfolio are expected to move toward compliance with the policy limit.

#### **Forestland**

There were no material exceptions in the Forestland portfolio for this quarter.



*Section III*  
**Portfolio Review**



### Section III: Portfolio Review

<b>Total Inflation Linked Asset Class Performance Detail by Sector For the Period Ending December 31, 2010</b>							
		<b>Net Assets at Fair Market Value</b>		<b>Total Nominal Returns</b>			
		<b>Inception Date</b>	<b>Amount</b>	<b>% of Portfolio</b>	<b>Current Quarter</b>	<b>One-Year</b>	<b>Three-Year Since Inception</b>
<b>Net of Fees</b>	Infrastructure*	Oct-07	\$ 449,464,411	6.7%	0.2%	6.2%	4.2%
	Internal Commodities	Oct-07	2,370,174,101	35.1%	12.9%	10.3%	-9.1%
	Inflation Linked Bonds	Apr-08	1,556,173,289	23.1%	-1.0%	4.6%	N/A
	Forestland*	Oct-07	2,373,116,281	35.2%	0.6%	3.3%	4.1%
	<b>Total ILAC Net of Fees</b>	Oct-07	<b>\$6,748,928,082</b>	<b>100.0%</b>	<b>4.2%</b>	<b>7.8%</b>	<b>-0.1%</b>

\* Infrastructure and Forestland returns and Net Assets at Fair Market Value are lagged one quarter.

**Infrastructure Performance** — The one-year total return for the Infrastructure sector was 6.2% net of fees as of December 31, 2010. The nominal net of fee total return since inception was 4.2% as of December 31, 2010. The Infrastructure sector underperformed the **CPI + 500 BPS** benchmark for the current quarter and since inception periods.

**Internal Commodities Performance** — The one-year total return for the Internal Commodities sector was 10.3% net of fees as of December 31, 2010. The nominal net of fee total return since inception was -9.1% as of December 31, 2010. The Internal Commodities sector outperformed the **GSCI Total return Daily** benchmark for the one-year return.

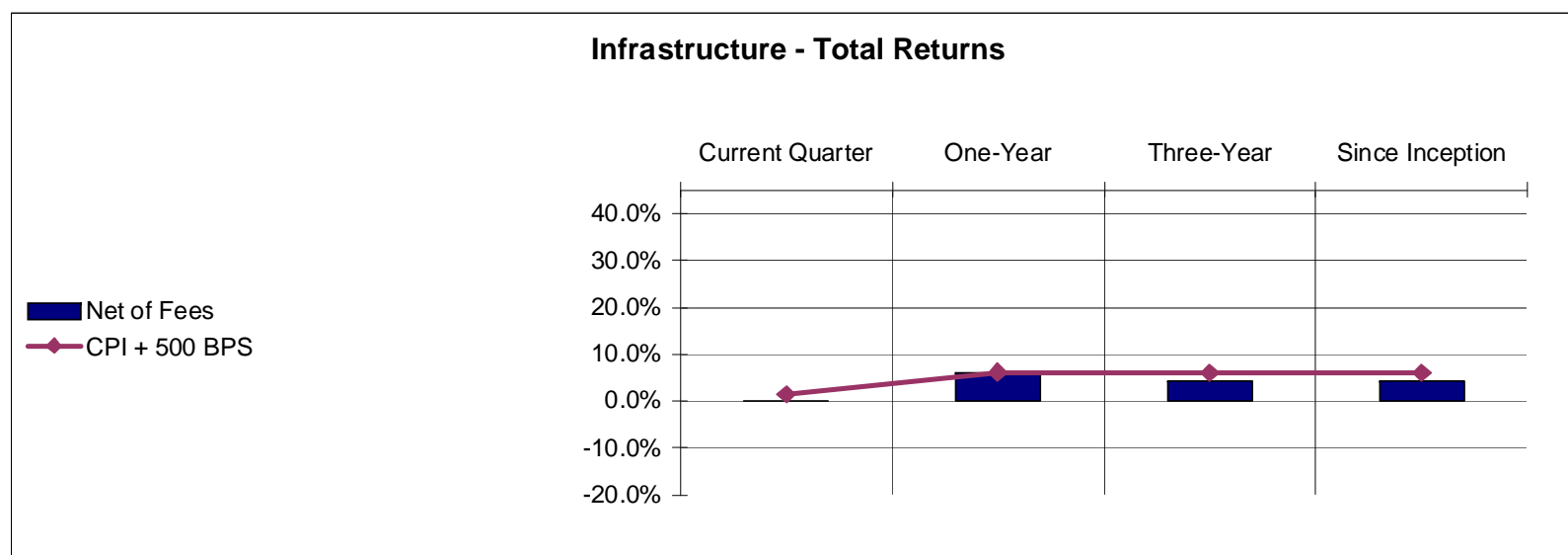
**Inflation Linked Bonds Performance** — The one-year total return for the Inflation Linked Bonds sector was 4.6% net of fees as of December 31, 2010. The nominal net of fee total return since inception was 1.9 % as of December 31, 2010. The Inflation Linked Bonds sector underperformed the **Barclays Global Index Inflation-Linked Custom Country** benchmark for the current quarter, one year, and since inception periods.

**Forestland Performance** — The one-year total return for the Forestland sector was 3.3% net of fees as of December 31, 2010. The nominal net of fee total return since inception was 4.1% as of December 31, 2010. The Forestland sector underperformed the **CPI + 500 BPS** benchmark for the current quarter, one-year, and since inception periods.

### Section III: Portfolio Review

#### Infrastructure (as of December 31, 2010) \*\*

Net Assets at Fair Market Value	\$449,464,411			
	Current Quarter	One-Year	Three-Year	Since Inception
<b>Total</b>				
Net of Fees	0.2%	6.2%	4.2%	4.2%
<b>Benchmark</b>				
CPI + 500 BPS	1.5%	6.2%	6.1%	6.1%
Difference Between Total Infrastructure Net of Fees and CPI + 500 BPS	-1.3%	0.0%	-1.9%	-1.9%



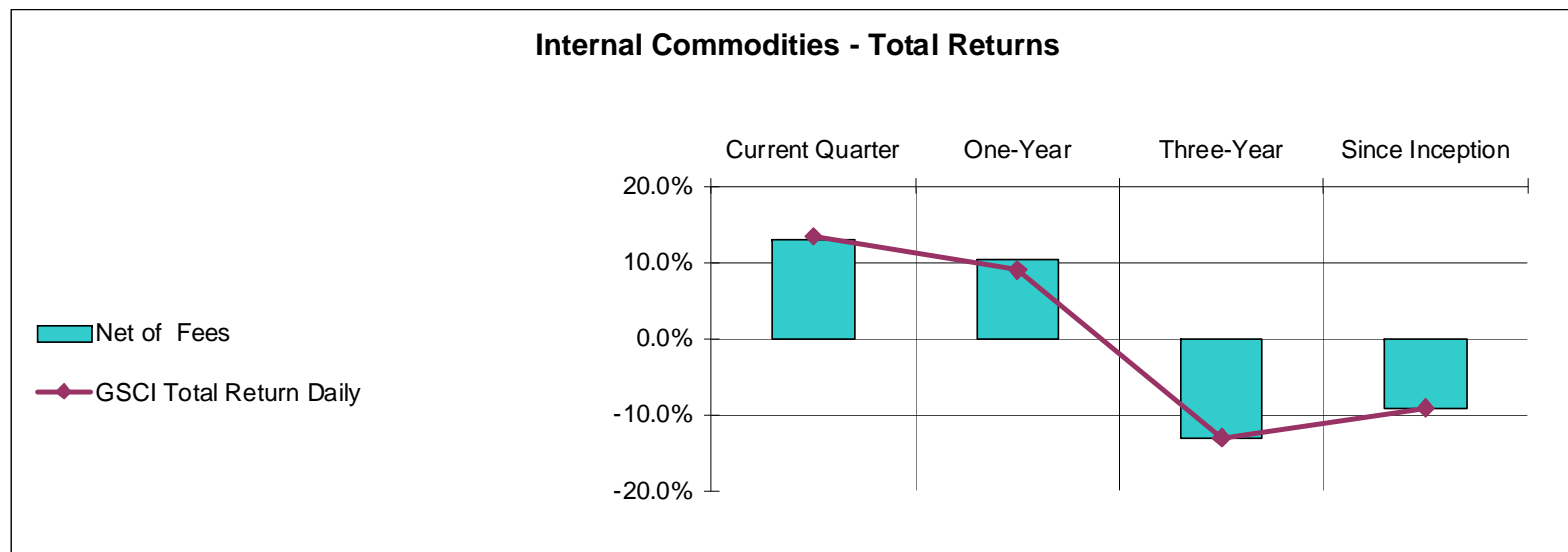
\* Percentage totals may not foot due to rounding.

\*\* Infrastructure returns and Net Assets at Fair Market Value are lagged one quarter.

### Section III: Portfolio Review

#### Internal Commodities (as of December 31, 2010)

Net Assets at Fair Market Value	\$2,370,174,101			
	Current Quarter	One-Year	Three-Year	Since Inception
<b>Total</b>				
Net of Fees	12.9%	10.3%	-13.0%	-9.1%
<b>Benchmark</b>				
GSCI Total Return Daily	13.4%	9.0%	-13.0%	-9.1%
Difference Between Total Internal Commodities Net of Fees and GSCI Total Return Daily	-0.5%	1.3%	0.0%	0.0%

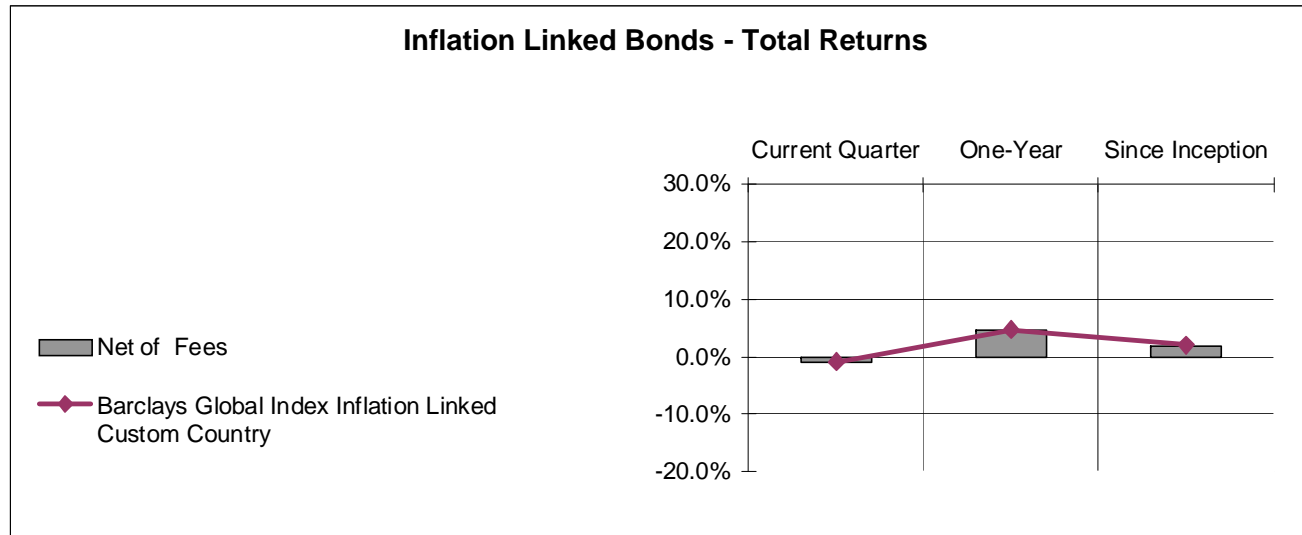


\* Percentage totals may not foot due to rounding.

### Section III: Portfolio Review

#### Inflation Linked Bonds (as of December 31, 2010)

<b>Net Assets at Fair Market Value</b>	<b>\$1,556,173,289</b>		
	<b>Current Quarter</b>	<b>One-Year</b>	<b>Since Inception</b>
<b>Total</b>			
<b>Net of Fees</b>	<b>-1.0%</b>	<b>4.6%</b>	<b>1.9%</b>
<b>Benchmark</b>			
<b>Barclays Global Index Inflation Linked Custom Country</b>	<b>-0.9%</b>	<b>4.7%</b>	<b>2.0%</b>
Difference Between Total Inflation Linked Bonds Net of Fees and Barclays Global Index Inflation Linked Custom Country	-0.1%	-0.1%	-0.1%

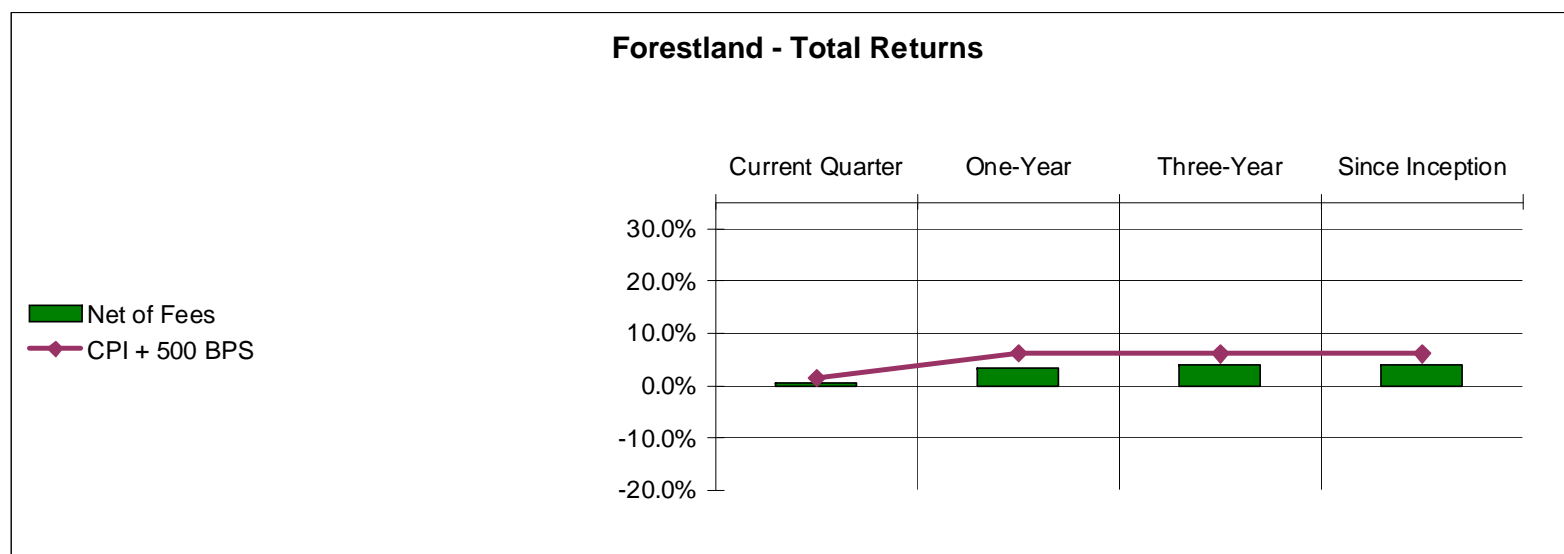


\* Percentage totals may not foot due to rounding.

### Section III: Portfolio Review

#### Forestland (as of December 31, 2010) \*\*

Net Assets at Fair Market Value	\$2,373,116,281			
	Current Quarter	One-Year	Three-Year	Since Inception
<b>Total</b>				
Net of Fees	0.6%	3.3%	4.1%	4.1%
<b>Benchmark</b>				
CPI + 500 BPS	1.5%	6.2%	6.1%	6.1%
Difference Between Total Forestland Net of Fees and CPI + 500 BPS	-0.9%	-2.9%	-2.0%	-2.0%



\* Percentage totals may not foot due to rounding.

\*\* Forestland returns and Net Assets at Fair Market Value are lagged one quarter.



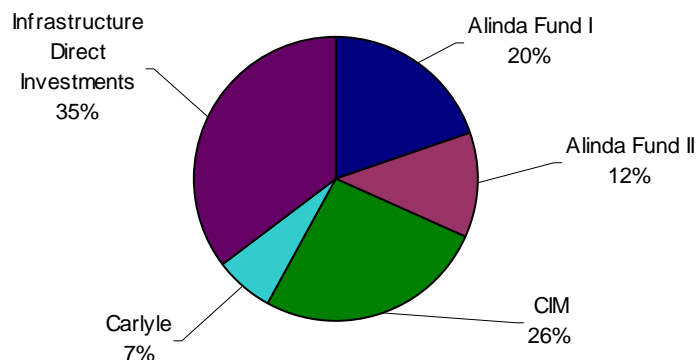
*Section IV*  
**Portfolio Detail**



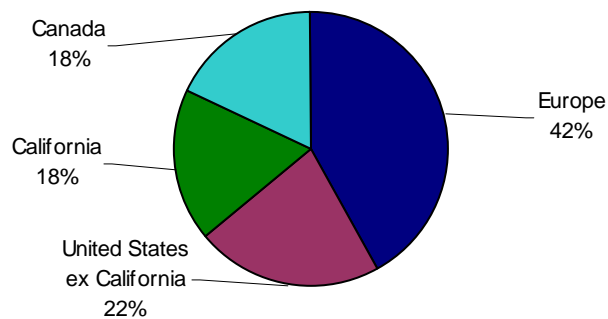
### Infrastructure Portfolio Diversification

The Net Assets at Fair Market Value of the Infrastructure portfolio can be broken out into the individual partnerships. Currently there are 5 partnerships in the Infrastructure portfolio with 40% of the investments located inside the United States. Investments in California total 18%. The charts show the Infrastructure portfolio composition, in percentage terms of Net Asset Value, by partnership and by geographical location. The Net Assets at Fair Market Value are lagged one quarter.

**Infrastructure Investments Percentage by Partnership  
As of December 31, 2010**

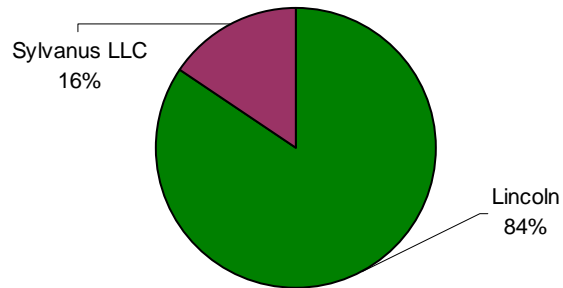


**Infrastructure Portfolio Diversification by Geographical Location  
As of December 31, 2010**



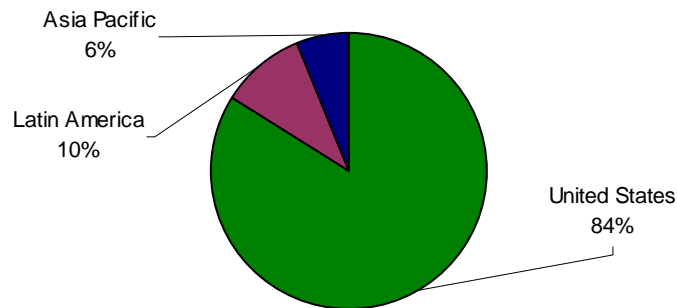
### Forestland Portfolio Diversification

**Forestland Investments Percentage by Partnership  
As of December 31, 2010**



The Net Assets at Fair Market Value of the Forestland portfolio can be broken out into the individual partnerships. Currently there are 2 active partnerships in the Forestland portfolio with 84% of the investments located in the United States. None of the assets held by these partnerships are in California. The charts show the Forestland portfolio composition, in percentage terms of Net Asset Value, by partnership and by geographical location. The Net Assets at Fair Market Value are lagged one quarter.

**Forestland Portfolio Diversification by Geographical Location  
As of December 31, 2010**



## Section IV: Portfolio Detail

<b>CalPERS Inflation Linked Asset Class</b> <b>Performance Detail by Partnership / Account (Net of Fees)</b> <b>For the period ending December 31, 2010<sup>1</sup></b>								
	Net Assets at Fair Market Value			Total Nominal Returns Net of Fees <sup>2</sup>				Net IRR <sup>3</sup>
	Inception Date	Amount	% of Portfolio	Qtr	1-Yr	3-Yr	Since Inception	IRR
<b>Infrastructure</b>								
Alinda Infrastructure Fund I, L.P.	May-07	\$89,050,516	19.8%	0.7 %	2.4 %	-0.3 %	N/M <sup>4</sup>	-0.7%
Alinda Infrastructure Fund II, L.P.	Sep-09	\$53,372,833	11.9%	-0.7 %	-0.7 %	N/AP	N/M <sup>4</sup>	5.2%
CIM Infrastructure Fund	Aug-07	\$118,359,109	26.3%	-1.9 %	12.9 %	N/M	N/M <sup>5</sup>	34.2%
Carlyle Infrastructure Partner LP	Apr-07	\$29,852,675	6.6%	4.4 %	1.2 %	-15.5 %	-17.5 %	-13.9%
Infrastructure Direct Investments <sup>6</sup>	Jun-10	\$158,829,278	35.3%	0.9%	N/AP	N/AP	N/M <sup>7</sup>	N/M <sup>7</sup>
<b>Total Infrastructure</b>	Oct-07	<b>\$ 449,464,411</b>	<b>100.0%</b>	0.2%	6.2%	4.2%	4.2%	
<b>Forestland</b>								
Lincoln Timber Company (Campbell)	Oct-07	\$2,003,068,248	84.4%	0.4 %	1.3 %	3.9 %	3.9 %	3.5%
Sylvanus LLC (Global Forest Partners)	Oct-07	\$370,008,310	15.6%	2.0 %	16.2 %	11.0 %	11.0 %	N/M <sup>8</sup>
<b>Total Forestland</b>	Oct-07	<b>\$ 2,373,076,558<sup>9</sup></b>	<b>100.0%</b>	0.6%	3.3%	4.1%	4.1%	

<sup>1</sup> Infrastructure and Forestland returns and Net Assets at Fair Market Value are lagged one quarter. Therefore, the December 31, 2010 returns represent returns as of September 30, 2010.

<sup>2</sup> The Forestland partnership-level and all portfolio-level time weighted returns are calculated based on the October 1, 2007 Inflation Linked Asset Class (ILAC) inception date. The individual Infrastructure partnerships time weighted returns are calculated from their inception date.

<sup>3</sup> Internal Rates of Return (IRRs) are calculated from the since inception date of the partnership. The partnerships' since inception date may precede the ILAC inception date of October 1, 2007.

<sup>4</sup> Return(s) stated as "N/M" are not meaningful due to contributions and/or distributions made in the first partial quarter.

<sup>5</sup> Three-Year and Since Inception returns are "N/M" not meaningful due to negative net investment income relative to a negative NAV that occurred in a prior quarter.

<sup>6</sup> Net Asset Value and time-weighted returns include the impact of CALPERS foreign currency hedges on the underlying Infrastructure investments.

<sup>7</sup> Since inception time-weighted returns and IRRs are not meaningful for investments with less than four quarters of activity.

<sup>8</sup> The IRR calculation is not meaningful because the Sylvanus partnership was transferred from the Real Estate Portfolio to the ILAC Portfolio on October 1, 2007.

<sup>9</sup> Includes active partnerships only.



*Section V*  
**Appendix**



## Performance Measurement Glossary

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### PERFORMANCE MEASUREMENT GLOSSARY

**Annualized Time-Weighted Return** – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

**Appreciation Component of Time-Weighted Return (Infrastructure and Forestland)** – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\frac{\text{Realized + Unrealized Gain or Loss}}{\text{Beginning Net Assets + Time-Weighted Contributions - Time-Weighted Distributions}} \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

## Performance Measurement Glossary

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**Compounding (Linking) of Time-Weighted Returns** – Returns are geometrically compounded (linked) on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

**Internal Rate of Return (IRR)** – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, for CALPERS reporting purposes, it is assumed that Partnership Contributions (outflows from CALPERS) and Distributions (inflows into CALPERS) represent net amounts, after all fees have been accounted for.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1+IRR) + CF_2 / (1+IRR)^2 + CF_3 / (1+IRR)^3 \dots CF_n / (1+IRR)^n = 0$$

## Performance Measurement Glossary

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**Investment Fees** – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

**J-Curve Effect** – Refers to the shape of a plotted trendline depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

**Market Value** – The current listed price at which investors buy or sell securities at a given time.

**Market Value (Infrastructure and Forestland)** – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period. Real Estate Market Value is synonymous with Net Assets at Fair Market Value (see below).

**Net Assets at Fair Market Value** – Total assets minus liabilities based on market value. See also Market Value (Infrastructure and Forestland).

## Performance Measurement Glossary

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**Net Income Component of Time-Weighted Return** – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time-weighted contributions and distributions. The net income return is computed as follows:

$$\left[ \frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

**Net Investment Income** – The amount of net income that has accrued for the period, net of advisor fees.

**Nominal Returns** – Nominal returns are unadjusted for inflation.

**Real Returns** – Nominal returns adjusted for inflation as follows:

$$\left[ \frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

**The Consumer Price Index** – Urban (CPI-U) is used for the inflation factor.

**Performance Measurement Glossary**

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**Time-Weighted Contributions** – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (\dots)}{\text{Days in Quarter}}$$

**Time-Weighted Distributions** – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (\dots)}{\text{Days in Quarter}}$$

**Performance Measurement Glossary**

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**Time-Weighted Return (Commodities and Inflation Linked Bonds)** – Also known as a Holding Period Return. It is calculated as follows:

$$\text{TWR} = \frac{\text{Ending Market Value} - \text{Beginning Market Value} - \text{Net Cash Flow} \times 100}{\text{Beginning Market Value}}$$

Also see definitions for Annualized Time-Weighted Return and Compounding (Linking) of Time-Weighted Returns.

**Time-Weighted Return (Infrastructure and Forestland)** – The sum of the net income return and the appreciation return. It is calculated as follows:

**TWR =**

$$\frac{\text{Realized} + \text{Unrealized Gain/Loss} + \text{Net Investment Income Gain/Loss} \times 100}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}}$$



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